



## STFC Governance Manual

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### Introduction

- Foreword
- Our Governance - Topics
- Corporate Governance Definition & Principles
- STFC Governance Statement

### Our Remit

- Our mission
  - Our Vision
- Accountability
  - Annual Accounts
  - Accounting Standards
- Treasury & BIS Performance Framework
- Stakeholder Engagement

### Our Organisation

- Our Structure
  - STFC Council
  - Council Members Responsibilities and Accountabilities
  - Programme Advisory Bodies
  - Chief Executive Responsibilities and accountabilities
  - The Chief Executive's Role As Accounting Officer
  - Executive Management
- Our decision making framework
  - Decision making bodies - principles
  - Scheme of delegation
  - RACI principles
  - Risk Management
  - Our decision points
- Our Corporate Development
- Our Culture, Behaviour and Values
  - Safety, Health and the Environment (SHE)
  - Equal Opportunities
  - Service First
  - Seven principles of public life
  - CRISTAL
  - Investors in People (IiP)
  - Change Management (Blueprint Programme)
  - Information Management
  - Communications
  - Research Conduct.

### Our Operational Framework

- Governance Policies & Procedures (GPs)
  - GP1 Scheme of Delegation
    - Principles of the scheme of delegation

- Decisions specifically reserved for Council
- Decision making by the Executive
- Advisory/non-executive Committees
- Decision Making by the Executive - General Delegation:
- Special Measures
- Shared Service Centre & Delegation
- Representation on External Bodies
- GP2 Fraud Policy
  - Fraud Definitions
  - Policy
  - Conduct
  - Fraud Prevention
  - What To Do If You Suspect Fraud ("Whistle blowing")
  - Fraud Response Plan
- GP3 Conflicts of Interest
  - Conflicts of Interest (Further Guidance)
- GP4 Giving Gifts and Hospitality
- GP5 Regularity and Propriety
- GP6 Legal Policy
- Other Policies and Procedures
  - Corporate Financial Policies
  - Conditions of Employment Memoranda
  - Programme and Project Management
  - Procurement Policy
  - Safety, Health & Environment (SHE)
  - Information Management & Security
  - Change Management
  - Risk Management
  - Shared Service Centre (SSC)

## Our Stewardship

- Accounting
- Risk Management - An Overview
- Audit Committee - an overview
- Management Assurance
  - Director Stewardship Returns
  - Traffic Light Reports (TLRs)
  - Risk Management Reviews
  - Safety, Health and Environment
  - Security Policy Framework (SPF)
  - Recommendation Follow Up
- Independent Assurance
  - Research Councils Internal Audit Service
    - RCIAS Introduction
    - Audit Programme
    - Audit Assignment Planning
    - Fieldwork
    - Assignment Reporting
    - Mid Year Assurance
    - Annual Audit Report
    - Audit Liaison
  - National Audit Office
- STFC Sponsors Charter

## Statement on Internal Control

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**Last updated: 04 August 2010**

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# 1 Introduction

## Purpose

We have developed this 'Governance Manual' to establish a primary source of principles, policies and operating rules for STFC. This manual is the primary resource for conveying governance arrangements and establishing the authority of other policy and procedural resources including Risk Management, Financial, and Human Resources (HR).

Each public sector organisation needs explicit arrangements for its internal governance, complemented by appropriate accountability. It is a key resource for use by staff, management and other stakeholders. It sets the standards for our operation and behaviour. It also establishes a framework for monitoring our performance against these standards.

This Introduction to the manual sets out the purpose of the manual, emphasises support from the top of the organisation and sets out our commitment to good governance.

## 1.1 Foreword

### Council Chair

"Council's responsibilities are both general and specific, and include:

- 1 Ultimate accountability for all aspects of the STFC's affairs, and
- 2 Specific responsibilities cutting across our governance regimes including:
  - a) Determining the overall direction of STFC, and
  - b) Ensuring probity and efficiency of governance

In order to carry out these functions STFC must establish and maintain a robust governance framework and internal control environment. Transparency and accountability are key elements of good corporate governance. Good governance for STFC means:

- focusing on the organisation's purpose and on outcomes;
- performing effectively in clearly defined functions and roles;
- promoting values for the whole organisation and demonstrating these values through good behaviour and example;
- taking informed, transparent decisions and managing risk;
- developing the capacity and capability of the organisation, including Council, to be effective; and
- engaging stakeholders and making accountability real.

This manual is a key mechanism in establishing and maintaining an effective

governance framework and ensuring that all staff are aware of the standards and processes required in the performance of our business.”

*Prof Michael Sterling, Chair, Science and Technology Facilities Council - 19th May 2010*

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## **Chief Executive**

Each public sector organisation needs explicit arrangements for its internal governance, complemented by appropriate accountability. STFC has some key ground rules laid down through the Management Statement and Financial Memorandum but significant discretion remains. It is therefore incumbent upon me as Accounting Officer to make, and then periodically review, decisions about how in practice the organisation operates.

The STFC is developing this Governance Manual to facilitate cutting edge science and develop world leading technology – these will not be achieved without high standards of governance, management, demonstrable leadership and the personal commitment of us all. The revised structures and protocols we have introduced since STFC’s inception ensure that we continue to move in the right direction – however we can not afford to be complacent - even maintaining current performance will require robust governance arrangements, management leadership, continuous improvement and constant vigilance from us all.

Our governance systems will always continue to evolve. This manual and supporting documents will reflect this evolution and provide an authoritative framework for the conduct of STFC business and I welcome its introduction as a means of clarifying rules governing our activities.”

*Prof. Keith Mason, Chief Executive, Science and Technology Facilities Council - 10th June 2010*

## **1.2 Our Governance - Topics**

### **Our Remit**

If you are interested in finding out about the source of our authority, the mission set out for us and our accountability for public funds, go to [Our Remit](#).

This section also covers our Performance Management Framework and approach to Stakeholder Engagement.

### **Our Organisation**

If you are interested in finding out about our organisation, structure, roles and responsibilities and the framework for decision making, go to [Our Organisation](#).

This section also covers our decision making framework, corporate development and our approach to Culture, Behaviour and Values.

### **Our Operational Framework**

If you are interested in finding out about our Operational Framework building on the organisational framework to direct staff to clear and unambiguous instructions/ guidance relating to the conduct of STFC business, go to [Our Operational Framework](#).

This section covers our approach to Governance Policies and Procedures and our approach to supplementary guides and manuals for other policies and procedures.

### **Our Stewardship**

If you are interested in finding out about our Stewardship arrangements detailing how we satisfy our requirements for conduct, accountability and openness, go to [Our Stewardship](#).

This section also covers our risk management, sources of assurance, and our approach to the Statement on Internal Control (SIC).

## **1.3 Corporate Governance Definition & Principles**

### **Governance definition**

The Cadbury Committee was set up in the UK in 1991 to raise corporate governance standards and STFC adopts the Cadbury definition of Corporate Governance:

**“Corporate governance is the system by which companies are directed and controlled”.**

In STFC, corporate governance is about relationships and structures and the way these are managed to provide strategic direction to an organisation, to manage risks, to ensure resources are used responsibly and to ensure that laws and regulations are complied with.

Through this Governance Manual, we:

- define the distribution of rights and responsibilities among the different stakeholders and participants in the organisation,
- promote values for the whole organisation and reinforce the need to demonstrate these values through good behaviour and example;
- determine the rules and procedures for making decisions on corporate affairs including the process through which the organisation’s objectives are set, and
- set out the means of attaining those objectives and monitoring performance.

The STFC Management Statement and Financial Memorandum are the principal directions and regulations affecting the organisation, activities, governance and accountability of the STFC through Council and the Chief Executive/Accounting Officer. Acting within this framework and the authority of the minister(s) and Council STFC is required to ensure that the organisation, and any subsidiary to it or organisation sponsored by it, operates effectively and to a high standard of probity.

Transparency and accountability are key elements of good corporate

governance. This includes:

- the timely provision of good quality information;
- a clear and credible decision-making process; and
- proper consideration of timely and relevant management information and making considered judgments.

In order to achieve its objectives and meet the necessary standards of accountability and probity, effective corporate governance is essential for STFC. Fundamental to effective corporate governance is having the means to verify the effectiveness of direction and control. This is achieved through the STFC governance framework, as set out in this manual.

This manual establishes roles and responsibilities, the key principles underpinning decision making in STFC and the means by which STFC gains assurance.

## 1.4 STFC Governance Statement

The Science and Technology Facilities Council (STFC) is committed to exhibiting best practice in all aspects of corporate governance and complies with the principles and practices recommended and promulgated in:

- The STFC Management Statement and Financial Memorandum; and
- ['Corporate Governance in central government departments: Code of good practice July 2005'](#)
- The ['The UK Corporate Governance Code'](#) (Financial Reporting Council June 2010) as it applies to a Non-Departmental Public body.

This Governance Manual describes the manner in which Council has applied the principles of good governance to deliver its Royal Charter.

Good governance goes further than legal compliance and competence in performing our duties; it also extends to issues of integrity or morality in the way we as a public body do business. Good governance means:

- focusing on the organisation's purpose and on outcomes;
- performing effectively in clearly defined functions and roles;
- promoting values for the whole organisation and demonstrating these values through good behaviour and example;
- taking informed, transparent and justifiable decisions and managing risk;
- developing the capacity and capability of the organisation, including Council, to be effective; and
- engaging stakeholders and making accountability real.

Thus in the following three key elements STFC will:-

### Governance

- have a governance structure which transmits, delegates, implements and enforces decisions;
- have trustworthy internal controls to safeguard, channel and record resources as intended;
- establish a comprehensive set of policies and procedures that are

- documented, accessible, understood and enforced by all staff;
- institutionalise right and remove wrong/ineffective practices/behaviours from business operations;
- operate with propriety and regularity in all its transactions;
- operate to an appropriate code of ethics which sets the 'tone from the top' and instils standards of behaviour and performance for the business;
- treat its customers and business counterparts fairly and honestly;
- offer redress for failure to meet agreed customer standards where appropriate; and
- give timely, transparent and realistic accounts of its business, underpinning public confidence.

### Decision-making

- establish an internal control framework to assess, mitigate and report on significant business risks;
- support its ministers with clear, well reasoned, timely and impartial advice;
- make all its decisions in line with the strategy, aims and objectives of the organisation set by Council, ministers and/or in legislation;
- meet the Treasury's requirements about limits on use of public resources;
- manage its staff fairly, with inclusive policies designed to promote and integrate diversity; and
- communicate its decisions openly and transparently.

### Financial management

- use its resources efficiently, economically and effectively, avoiding waste and extravagance;
- carry out procurement and project appraisal objectively and fairly, seeking good value for the public sector as a whole;
- use management information systems to support all decision making;
- accurately maintain its' financial record

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## 2 Our Remit

### Purpose

This sections covers the source of our authority, the [mission](#) set out for us and [our accountability](#) for public funds. Our [mission](#) is set out in the [Royal Charter](#) granted to us by HM Queen Elizabeth II

### Overview

#### a) Royal Charter

Royal Charters, granted by the sovereign on the advice of the Privy Council, have a history dating back to the 13th century. Their original purpose was to create public or private corporations (including towns and cities), and to define their privileges and purpose. Nowadays, though Charters are still occasionally granted to cities, new Charters are normally reserved for bodies that work in the public interest (such as professional institutions and charities) and which

can demonstrate pre-eminence, stability and permanence in their particular field.

[View/Download a PDF version of our Royal Charter.](#)

## b) Management Statement and Financial Memorandum

Subject to the Royal Charter, the [Management Statement](#) sets out the broad framework within which the STFC will operate, in particular:

- the STFC overall aims, objectives and targets in support of the sponsor Department's (BIS) wider strategic aims and objectives;
- the rules and guidelines relevant to the exercise of the STFC's functions, duties and powers;
- the conditions under which any public funds are paid to the STFC;
- how the STFC is to be held to account for its performance.

The associated [Financial Memorandum](#) sets out in greater detail certain aspects of the financial provisions which STFC shall observe and is the starting point for delegated authority within STFC. The management statement and financial memorandum do not convey any legal powers or responsibilities.

### Performance Management System

The Performance Management System (PMS) for Research Councils was introduced in 2005. The PMS has three elements:

- Delivery Plan
- Scorecard
- Economic Impact Reporting Framework

## 2.1 Our mission

Our mission is set out in the [Royal Charter](#) granted to us by HM Queen Elizabeth II

We are required to:

- promote and support high-quality scientific and engineering research by developing and providing, by any means, facilities and technical expertise in support of basic strategic and applied research programmes funded by persons established in the United Kingdom and elsewhere.
- promote and support, by any means, high-quality basic, strategic and applied research and related post-graduate training in astronomy, particle physics, space science and nuclear physics and research in any other field which makes use of scientific facilities where access is provided, arranged or otherwise made available by the Council, having regard to the objects of the other research councils.
- promote and support the advancement of knowledge and technology (including the promotion and support of the exploitation of research outcomes) and to provide trained scientists and engineers, and thereby to contribute to the economic competitiveness of the United Kingdom and the quality of life of its people, meeting the needs of users and beneficiaries.

We are also charged to:

- generate public awareness;
- communicate research outcomes;
- encourage public engagement and dialogue;
- disseminate knowledge; and
- provide advice.

### 2.1.1 Our Vision

Our Vision is to maximise the impact of our knowledge, skills, facilities and resources for the benefit of the United Kingdom and its people.

The STFC's [Vision document](#) will guide its future investments in world leading science and technology for the United Kingdom.

The Vision has been developed following extensive consultation on STFC's strategy and contains commitments from the Council about how it will work in addition to a simple message about what STFC will achieve.

The Vision also identifies the highest priority science and technology projects, and world class research facilities that STFC will be taking forwards for the UK.

See also:

[STFC Vision](#)

## 2.2 Accountability

Under Section 2(2) of the Science and Technology Act 1965 the Council is required to prepare a [statement of accounts](#) for each financial year in the form and on the basis directed by the Secretary of State for Business, Innovation, and Science with the consent of the Treasury.

STFC's financial year runs from 1 April to 31 March.

Further detail contained under [Stewardship - Accounting](#)

### 2.2.1 Annual Accounts

The Annual Accounts should contain:

- Statutory basis of the Council;
- Management Commentary
- Remuneration report
- Statement of the Responsibilities of the Science and Technology Facilities Council and of its Chief Executive
- Statement on Internal Control
- the Certificate and report of the Comptroller and Auditor General to the Houses of Parliament;
- an income and expenditure account;

- a balance sheet;
- a cash flow statement;
- a statement of total recognised gains and losses; and
- notes to the financial statements.

The Management Commentary, Statement on Internal Control and the Balance Sheet must be signed and dated by STFC's Accounting Officer, the Chief Executive, before it is submitted to the Comptroller and Auditor General for certification.

The Accounts must be prepared in accordance with the requirements of the [Accounts Direction](#) issued by the Secretary of State for Business, Innovation, and Science. This direction is codified in the Financial Reporting Manual (the FReM) which is updated from time to time.

### 2.2.2 Accounting Standards

The 2007 Budget announced that, from 2008-09, the accounts of central government departments and entities in the wider public sector will be produced using International Financial Reporting Standards (IFRS), as interpreted for the public sector in the IFRS-based Financial Reporting Manual (FReM). While full implementation has been deferred until 1 April 2009, departments and other entities are required to produce "shadow" financial statements for 2008-09 using IFRS.

Without limiting the information contained in the Accounts Direction the Accounts must also meet the requirements of:

- [Managing Public Money](#)
- [The Companies Acts](#)
- All Treasury guidance which has been issued regarding the production of the Accounts;
- The Treasury booklet "Trading Accounts: A Guide for Government Departments and Non-Departmental Public Bodies" (available from HMT); and
- Any additional disclosure requirements contained in "The Fees and Charges Guide".

Although STFC is required to comply with the Companies Acts and best commercial accounting practice, Treasury guidance will always take precedence. At all times the over-riding requirement is that the Accounts provide a true and fair view of the state of affairs and financial position of STFC for the period reported on.

[The National Audit Office \(NAO\)](#) are STFC external auditors responsible for certification of our annual accounts. The Comptroller and Auditor General (C&AG), with the support of the NAO, plays a key role in the accountability cycle for public sector finances. The NAO audits central government accounts and reports to Parliament on the value for money achieved by government projects and programmes.

## 2.3 Treasury & BIS Performance Framework

The Government has ended the system of Public Service Agreements, which was based on a system of top-down performance management and targets. The Government will consider the best structures for ensuring departmental accountability for achieving more for less and is committed to setting out a robust performance framework alongside the Spending Review. This will include:

- the publication of **departmental business plans** showing the resources, structural reforms and efficiency measures that they will need to put in place to protect and improve the quality of key front-line services while spending less.
- These plans will also include the **key statistics and data** that the public can use to hold departments to account for spending money efficiently and effectively.

The structures and processes established for STFC to work within this framework will be described (or linked from) here in due course.

## 2.4 Stakeholder Engagement

### STFC Commitment to Stakeholders

We want to know what is important to our stakeholders; to understand our impact and what people think of us; to ensure that we respond to stakeholders' expectations and that we communicate those responses adequately.

### Drivers for engagement

STFC Strategy and Vision

- To communicate the STFC mission, vision and aims for the future
- Recognition - by our key stakeholders - that the STFC maximises the impact of its knowledge, skills, facilities and resources for the benefit of the UK and its people.

### Other Drivers for engagement:

- Corporate Social Responsibility
- New markets / sectors
- Responding to criticism
- Realising the benefits of engagement

### Engagement benefits the STFC and stakeholders by:

- Improving STFC credibility amongst its stakeholders
- Building trust between the STFC and its stakeholders
- Pooling resources to solve problems and reach objectives
- Enabling collaboration to seize opportunities and to implement change
- Strengthening ability to assess and manage risks and reputation
- Enabling learning from stakeholders - resulting in better policy, planning and process
- Enabling a better understanding of our stakeholders and of new strategic

- and promotional opportunities
- Informing, educating and influencing stakeholders to improve their decision-making and actions that impact on the STFC

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## 3 Our Organisation

### Purpose

The means by which we are organised in order to fulfil our mission and objectives as set out by Our Remit

### Overview

STFC's [Council](#) is the top-level decision making body. A number of advisory and executive bodies (for example [Science Board](#) ) provide advice and report to Council to help it make its decisions.

Consultation and advice are provided to [Science Board](#) on all aspects of STFC's science and technology programme by the Programme Advisory Bodies, who in turn have their own advisory panels and Peer Review Panels as required:

### 3.1 Our Structure

#### Our Advisory and Executive Structure

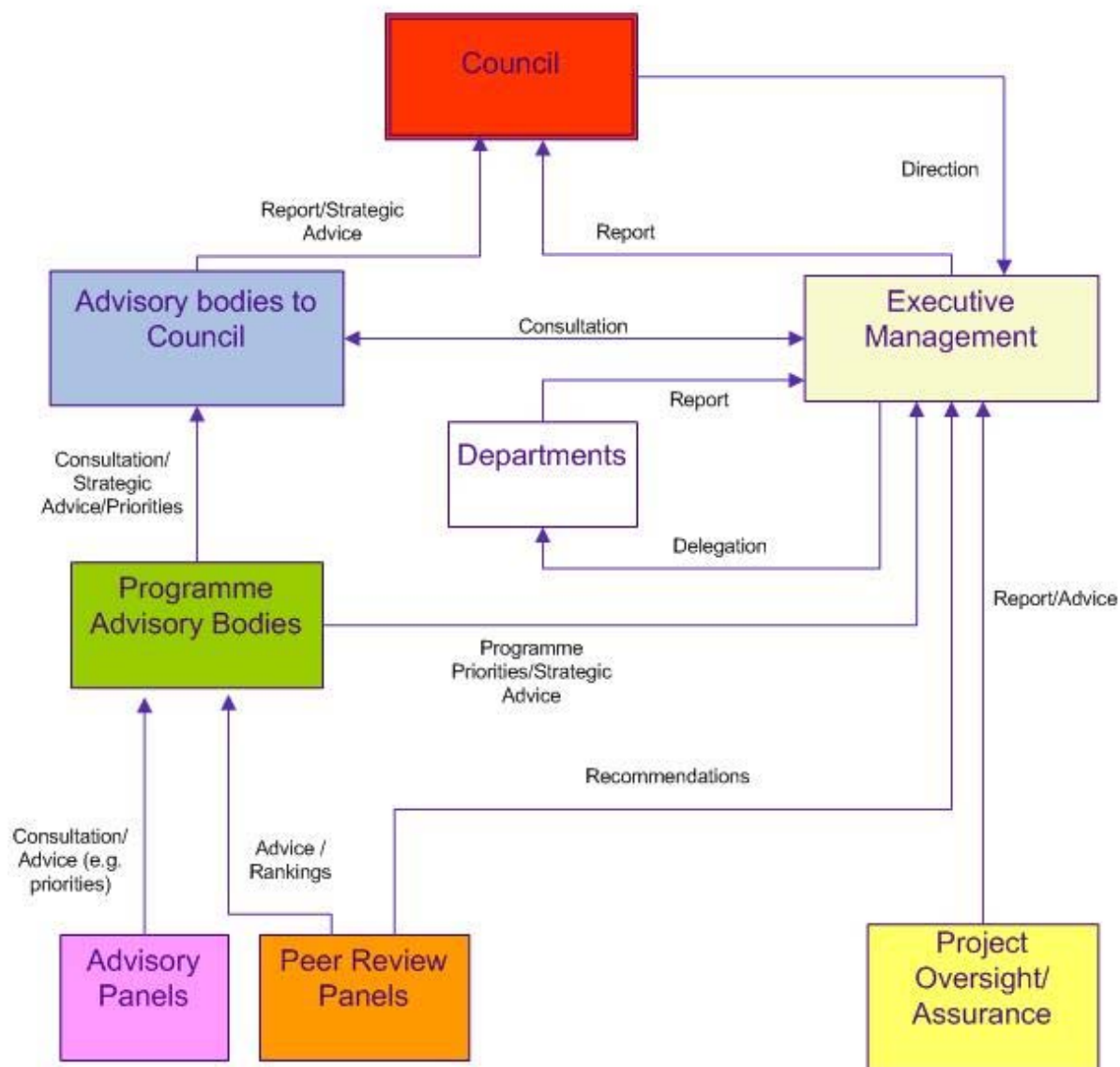
STFC has a number of top-level decision making bodies. The diagram below summarises the types of advisory and executive bodies, and the relationships between them.

The individual advisory and executive bodies are detailed in our document - [Advisory and Executive relationships](#). This document also contains links to further detail (Purpose, terms of reference etc.).

#### Our Advisory and Executive Model



## Advisory and Executive Relationships - Overview



### 3.1.1 STFC Council

STFC's [Council \(link opens in a new window\)](#) is the top-level decision making body. A number of advisory and executive bodies provide advice and report to Council to help it make its decisions.

Advisory bodies reporting to Council include:

[Science Board \(link opens in a new window\)](#)

Provides advice on all aspects of STFC's science and technology programme.

[EIAB \(link opens in a new window\)](#) (Economic Impact Advisory Board)

Supports Council in the delivery of maximum economic impact from the programme.

**EPOAC ([link opens in a new window](#))** (Education and Public Outreach Advisory Committee)

Advises Council on strategies for maintaining aspects of the overall health of the STFC scientific and engineering activities and communities.

**Audit Committee ([link opens in a new window](#))**

The STFC has established an Audit Committee as a Committee of the Council, to support them in their responsibilities for issues of risk, control, governance and associated assurance. It provides assurance to the Council and the public of the objectivity and fairness of the financial reporting and performance of STFC.

**Remuneration Committee**

The STFC Remuneration Committee is a standing committee of Council, and its role is to determine the remuneration of the senior staff in STFC, both base pay and annual performance related bonus payments, based on the achievement of both corporate and individual objectives.

### 3.1.2 Council Members Responsibilities and Accountabilities

*This is an extract from the Management Statement*

37. The Role of the Council is to pursue its Charter objects, acting within the terms of *its* Charter and any guidance and direction from the Department. The governing body should decide on all issues of major importance, principally issues of corporate strategy, key strategic objectives and deliverables, key decisions involving the direction of its support for facilities in support of basic, strategic and applied research programmes, astronomy, planetary science and particle and nuclear physics, advice to Government on important research and other strategic issues within its field and the use of resources and personnel issues, including key appointments. Responsibility for implementing the decisions of the governing body is delegated to the Chief Executive who is the Accounting Officer of the Council (paragraph 48).

38. In accordance with Article 4 of the Charter, Council Members are appointed by the Secretary of State who sets their remuneration. Expenses are reimbursed in line with the Council's Expenses Code. The Council's governing body consists of a Chair (paragraph 41) Chief Executive and between six and ten other members. It may include members from academia, industry, Government and senior Council employees. Appointments are made in accordance with the Code of the Commissioner for Public Appointments. Council members should be able to reflect and express authoritatively the perspective and views of their research or user community or provide other relevant expertise while contributing corporately to the Council's successful pursuit of its Mission.

39. Council members as the governing body have corporate responsibility for ensuring that the Council fulfils the objects of its Charter taking account of the aims and objectives set by the Secretary of State, in particular the overall strategic priorities for the research base and objectives for the Council in the allocations booklet, and for promoting the efficient and effective use of staff and other resources by the Council. To this end, and in pursuit of its wider corporate responsibilities, and with the support of their staff as appropriate,

and recognising the role of the Chief Executive as Accounting Officer, the Council members shall:

- advise on new scientific opportunities, scientific direction and user needs;
- establish, within the policy and resources framework determined by the Secretary of State, the Mission and Strategic Plan and approve the Delivery Plan of the Council, which together shall cover the strategy, disposition of resources and key performance indicators and targets in respect of the Council's programmes of support for research, training, knowledge transfer and public engagement with research in pursuit of its Royal Charter objectives;
- ensure that action is taken to inform the Secretary of State, the DGSI and the Sponsor Team as appropriate of: any changes which are likely to impact on the delivery of the Strategic and Delivery Plans of the Council, significant variances and remedial action taken in respect of those plans and the attainability of its deliverables, milestones and targets. Then to ensure that the Chief Executive is arranging that the necessary corrective steps are taken;
- satisfy themselves that any statutory or administrative requirements for the use of public funds are complied with; that the Council operates within the limits of its Royal Charter and any delegated authority agreed with the Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Council takes into account guidance issued by the Department;
- require that they receive and review regular financial information concerning the management and performance of the Council, are informed in a timely manner about any concerns about the activities of the Council and that positive assurance is given to the Department that appropriate action has been taken on such concerns;
- ensure both that the Council's views are reflected in the pursuit of the Research Councils UK objectives and that they are informed of the collective views of the Research Councils UK Executive Group and the conclusions of the Joint Strategy Group and any implications for the work of the Council (see also paragraph 50);
- maintain high standards of corporate governance at all times, including by making use of the audit committee (paragraph 72) to help them to address the key financial and other risks facing the Council.

40. Individual Council members shall act in accordance with their wider responsibility as Members of the Council to:

- comply at all times with the Code of Practice (paragraphs 39 and 40) that is adopted by the Council and with the rules relating to the use of public funds and to conflicts of interest (paragraph 24 to 26);
- not misuse information gained in the course of their public service for personal gain or for political profit, or seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Council's rules on the acceptance of gifts and hospitality, and of business appointments;
- act in good faith and in the best interests of the Council

### 3.1.3 Programme Advisory Bodies

Consultation and advice are provided to [Science Board](#) on all aspects of STFC's science and technology programme by the Programme Advisory Bodies, who in turn have their own advisory panels as required:

**PALS** (Physical and Life Sciences Committee)

Provides advice to the Science Board and the executive on all aspects of STFC's physical and life sciences programme.

**PPAN** (Particle Physics, Astronomy and Nuclear Physics Science Committee)

Provides advice to Science Board and the executive on all aspects of STFC's particle physics, astronomy, space and planetary science and nuclear physics programmes.

**ASTAB** (Accelerator Science and Technology Advisory Board)

Provides to Science Board advice on accelerator science and technology strategy and programme priorities.

**ETCC** (Education and Training Careers Committee)

Considers and reviews all aspects of education and training relevant to the community within STFC's remit.

### 3.1.4 Chief Executive Responsibilities and accountabilities

*This is an extract from the Management Statement*

Responsibility for implementing the decisions of the governing body is delegated to the Chief Executive who is the Accounting Officer of the Council.

48. The Chief Executive is a member of the Council's governing body. He/she is appointed by the Secretary of State for Trade and Industry under the terms of article 4 of the Council's Royal Charter and is the Council's most senior officer. The Chief Executive is responsible to the governing body for the overall direction and management of Council staff and other resources. The key roles are:

- to provide leadership both in relation to scientific research and in the direction and management of the Council and to develop dialogue and partnerships with its research and user communities and related national and international organizations to inform the development of strategy;
- to develop proposals for both the Strategic and Delivery Plans and lead the implementation of a programme of work to deliver the Council's agreed plans
- to act as the Accounting Officer for the Council responsible for the effective, safe and efficient operation of the Council, according to the objects in its Charter, guidance from the Department and the decisions of Council.

51. The Chief Executive is accountable and responsible for the oversight of any research units, institutes or establishments controlled by the Council. This includes a responsibility to ensure proper maintenance of the infrastructure of

these establishments. He/she is the line manager of the Directors and heads of all such entities and is responsible for assessing their performance on an annual basis.

- The Chief Executive may delegate the day-to-day administration of his/her Accounting Officer and Consolidation Officer responsibilities to other employees of the Council. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in his/her appointment letters, this document or the associated Financial Memorandum.

### 3.1.5 The Chief Executive's Role As Accounting Officer

*This is an extract from the Management Statement*

1. The Chief Executive of the Council is designated as the Council's Accounting Officer by the Principal Accounting Officer of the Department.
2. The Accounting Officer of the Council is personally responsible for safeguarding the public funds for which he/she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the Council.
3. As Accounting Officer the Chief Executive shall exercise the following responsibilities in particular:

#### **(i) On Planning & Monitoring**

- establish, in agreement with the Council and the Department, the Council's Strategic and Delivery Plans and related Scorecard in the light of the Secretary of State's overall strategic priorities for the research base, the Department's current PSA and any relevant wider strategic aims;
- in conformance with the requirements agreed with the DGSi and the sponsor team, to inform the Department of the Council's progress in delivering those Strategic and Delivery plans and in demonstrating how resources are being used to achieve the agreed objectives;
- ensure that timely forecasts and monitoring information on performance and finance are provided to the sponsor team; that the sponsor team is notified promptly if overspends or underspends are likely and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the sponsor team in a timely fashion;

#### **(ii) on advising the Council**

- advise the Council on the discharge of its responsibilities as set out in this document, in the Charter, in the allocations booklet, in the post spending review allocations of funds letter and in any other relevant instructions and guidance that may be issued from time to time;
- advise the Council on its performance compared with its Strategic and Delivery Plans and Scorecard;
- ensure that financial considerations are taken fully into account by the Council at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed as far as this is

practical;

- take action as set out in paragraphs 14-18 of the NDPB Accounting Officer Memorandum if the Council, or its Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;

**(iii) on managing risk and resources -**

(see also the Risk Management section of the Financial Memorandum at paragraph 13 on)

- ensure that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives, deliverables, milestones and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure that all public funds made available to the Council [including any approved income or other receipts] are used for the purpose intended by Parliament, and that such moneys, together with the Council's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by the Council, including effective measures against fraud and theft;
- maintain an appropriate risk-based system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective personnel management policies are maintained;

**(iv) on accounting for the NDPB's activities -**

sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;

- sign a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Statement on Internal Control regarding the Council's system of internal control, for inclusion in the annual report and accounts;
- ensure that effective procedures for handling complaints about the Council are established and made widely known within the Council and with its stakeholders and customers;
- act in accordance with the terms of this document and with the instructions and guidance in Government Accounting and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office - in particular, the Treasury documents The Responsibilities of an NDPB Accounting Officer and Regularity and Propriety, both of which the Chief Executive shall receive on appointment. The attached Financial Memorandum refers to other key guidance at paragraph 78;
- give evidence, normally with the Principal Accounting Officer, when summoned to appear before the Committee of Public Accounts on the use and stewardship of public funds by the Council.

4. The Chief Executive shall comply with any applicable recommendations

made by the Committee of Public Accounts or other Parliamentary authorities as accepted by HM Government and with such administrative and financial practices applicable to expenditure of public funds as the Secretary of State requires.

### 3.1.6 Executive Management

#### **Executive Board**

**Executive Board** (Chaired by the Chief Executive Officer) reports to Council and is responsible for various aspects including the science programme, international subscriptions and engagement, financial management and planning, the economic impact agenda, the campuses, outreach, external relations and communications.

#### **Programme Board**

**Programme Board** (Chaired by the Chief Executive Officer) reports to Executive Board. The role of the Programme Board is to be responsible for recommending overall programme priorities and resource allocation to Executive Board (EB) and Council.

#### **Operations Board**

**Operations Board** (Chaired by the Chief Operating Officer) reports to Executive Board. Its purpose is to oversee the management of all STFC operations and programmes and provide tasking to departments.

## 3.2 Our decision making framework

The Executive Board have endorsed the following principles: -

- Agile and Effective delivery
- Use of best practices
- Visibility of our processes
- Lean processes and management
- Empower and motivate
- Continuous improvement
- Stakeholder engagement

The benefits of following these principles are that including staff

- Stakeholders understand how decisions are made and who makes them
- Staff understand what they need to do to get things done
- Staff are empowered
- Bureaucracy and complexity are minimised
- STFC has a "Value for money" service orientation.
- We have the information available to improve our processes and make them more efficient and effective.

### 3.2.1 Decision making bodies - principles

The following principles have been approved by Executive Board

For each decision making body:-

- The Terms of Reference will be published
- The Membership will be published
- For council members and other non-executives, a register of interests is published
- Forthcoming meeting dates will be published in a timely manner
- Agenda and papers will be available in a timely manner
- Minutes ( or “News”) will be published in a timely manner with appropriate details of decisions made

For corporate advisory and executive bodies, the information will be published on the [Corporate Web](#)

For internal bodies, the information will be published on the Corporate Intranet.

### 3.2.2 Scheme of delegation

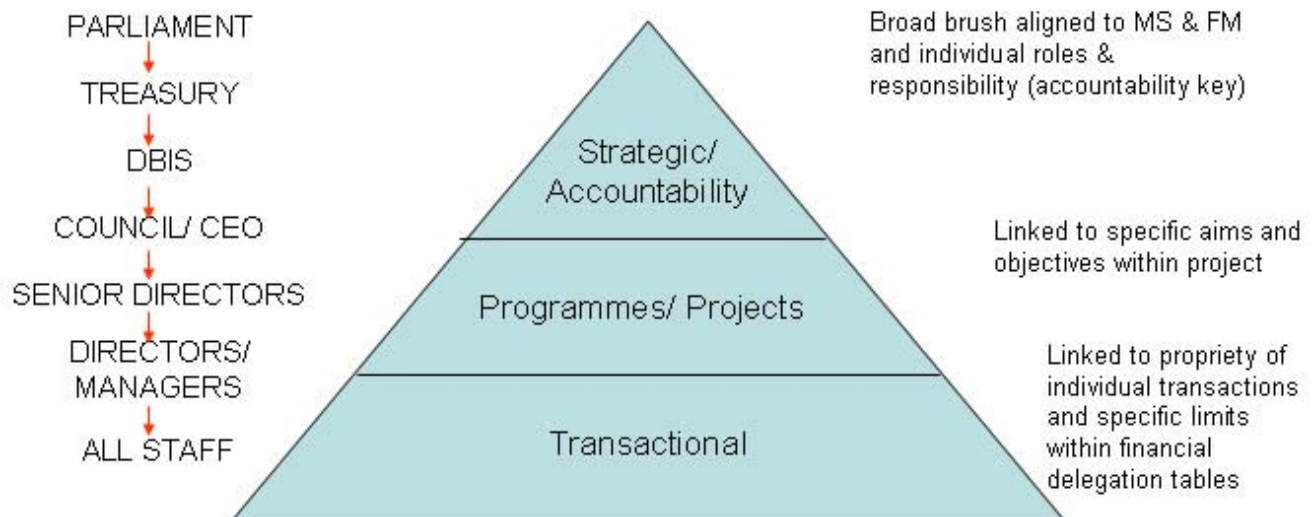
To support accountability requirements STFC has developed and will keep up to date a Scheme of Delegation. This scheme sets down a basic framework for clarifying accountability and responsibility for particular types of decisions consistent with the limitations and requirements set out in the STFC [Management Statement](#) and [Financial Memorandum](#) .

This scheme of delegation covers financial and non-financial responsibilities and provides clarity as to where decisions can be taken, including decisions by:

- Council consistent with the delegation to Council set out in the Financial Memorandum; and
- The Chief Executive in his/her capacity as Accounting Officer.

#### **Delegation Hierarchy**

This diagram summarises the principles of our delegation hierarchy.



### 3.2.3 RACI principles

STFC apply the RACI principles within its decision making framework.

#### What is RACI?

RACI is a technique which can be used to identify roles and responsibilities during an organisational change process or when making business decisions. RACI stands for **R**esponsible, **A**ccountable, **C**onsulted and **I**nformed.

The RACI tool is helpful where there are a number of people involved in the completion of a task or in the making of a decision, and it is not clear what everyone's responsibilities are. RACI helps clearly identify expectations and to avoid any potential confusion over roles and responsibilities.

#### Definitions of the RACI Categories:

- **Responsible:** The "doer". The person who performs an activity or does the work. There is typically only one **R**, although this can also be delegated to others to carry out the work required.
- **Accountable:** "The buck stops here". The person, or group, who is ultimately accountable for the satisfactory completion of the task and the one to whom **R** is accountable. **A** must sign off on work that **R** provides. There must only be one **A** specified for each task and the level at which this is allocated should be based on STFC's delegated accountability/authority.
- **Consulted:** "In the loop". Those that need to feedback on and contribute to the activity. The need here is to ensure that all the implications of the decisions/options are properly thought through by the decision maker. Two-way communication.
- **Informed:** "Keep in the picture". Those who are kept up to date on progress, as they will be impacted by the decision and may have to do something differently as a result. One-way communication.

#### Using RACI Charts

A RACI chart, or matrix, helps visualise the roles and responsibilities of those involved in the task and helps identify missing areas or areas of issue.

[Open/download pdf version of the full RACI analysis document](#)

### 3.2.4 Risk Management

#### **Risk Management Context**

Facilitating great science and developing world leading technology are the goals of the STFC; without taking risks STFC will not achieve its goals. The identification and analysis of risk has always been inherent in much of what STFC does. In some activities, such as health and safety, our appetite for risk is rightly minimal, but in many activities, where the potential rewards are highly desirable our attitude is more robust. It is important to understand that risk is a broader concept than the traditional view of merely a threat. It also recognises the risks of taking or not taking opportunities.

#### **Risk Management Integrated Framework**

Risk management principles (risk assessment, mitigation and reporting) must be embedded within planning and control systems to inform decision making and oversee performance. It must be used routinely at all levels in the staffing and board structure. This is at both the strategic level (e.g. formulating long and medium term plans) and at the operational level (e.g. managing delivery of operational plans, including projects and facilities). A further overview is provided at [Risk Management Overview](#).

Risk management includes identifying and assessing risks (the “inherent risks”) and then responding to them. The resources available for managing risk are finite and so the aim is to achieve an optimum response to risk, prioritised in accordance with an evaluation of the risks. Risk is unavoidable, and every organisation needs to take action to manage risk in a way which it can justify to a level which is tolerable. The amount of risk which is judged to be tolerable and justifiable is the “risk appetite”. STFC Council has defined its risk appetite in a Risk Appetite Statement.

Risk Management includes all the activities functions and processes (internal and external) which may have an impact on the achievement of an organisation’s objectives. It involves identifying, assessing and judging risks, taking actions to mitigate or anticipate them, and monitoring and reviewing progress.

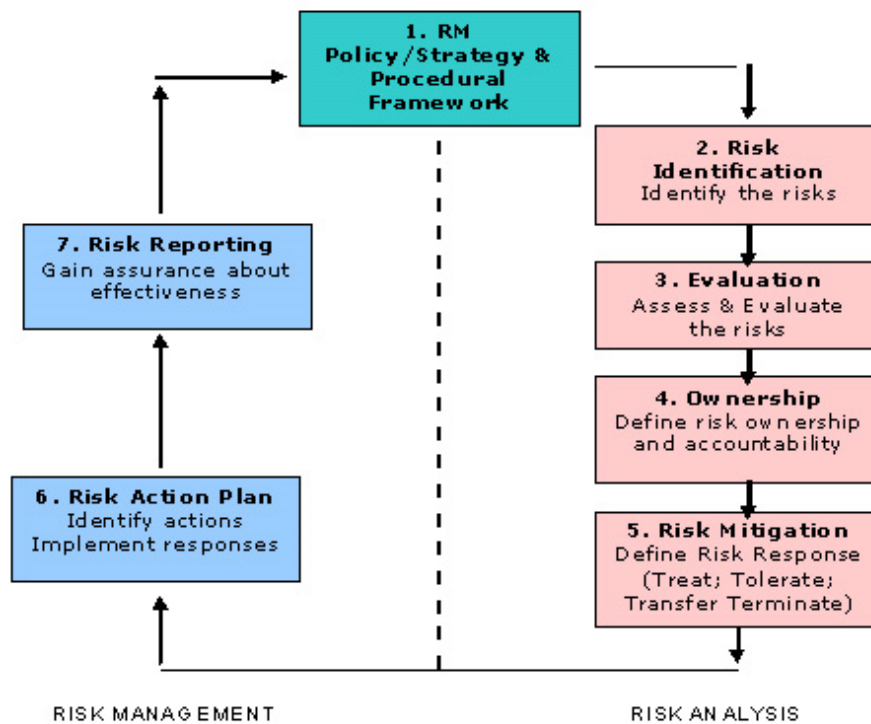
Complementary activities, including a Scheme of Delegation and a Stewardship Reporting Framework, reinforce the risk management framework by

- (a) defining Directors’ areas of responsibility and delegated authorities,
- (b) providing a framework for further sub-delegation, and
- (c) providing assurance on the management of key activities.

#### **Risk Management Process**

The risk management process consists of risk analysis and risk management activities (see [figure 1](#)). This process is established through the Risk Management Policy and Strategy which is in turn supplemented by [Risk Management Standard Operating Procedures](#).

figure 1



### 3.2.5 Our decision points

The decision making process is dependent upon a number of factors, including the nature of the decision, the financial commitments, and risk assessment.

There are a number of decision making bodies, and people with delegated authority to take decisions. Our primary decision points, and the associated decision making bodies and people are summarised in the document - [Our Decision Points](#)

The document also contains links to the underlying detail.

#### KEY DECISION MAKING BODIES and PEOPLE

Our key decision making bodies and people include:-

##### **BIS (or HMT)**

Required references to [BIS](#) (or [HMT](#)) are detailed in the [Management Statement](#) and the [Financial Memorandum](#)

#### **Council and Council Members**

Required references to Council are detailed in the [Council Terms of Reference](#) and [Council Members Responsibilities and Accountabilities](#).

#### **Chief Executive**

Chief Executive responsibilities are detailed in the [Chief Executive Responsibilities and Accountabilities](#) and also in the [Chief Executive's Roles as Accounting Officer](#).

#### **Executive Board**

Required references to [Executive Board](#) are detailed in the [Executive Board Terms of Reference](#)

#### **Programme Board**

Terms of reference are detailed in the [Programme Board Terms of Reference](#)

#### **Operations Board**

Terms of reference for [Operations Board](#) are detailed in the [Operations Board Terms of Reference](#)

#### **Directors**

Further delegations to directors will be detailed using our [Scheme of delegation framework](#)

#### **Staff**

Further delegations to staff will be detailed within the [RACI Framework](#) and individual work plans.

### **3.4 Our Corporate Development**

The Corporate Strategy is central to the delivery of STFC's mission as set out in the Vision (published in July 2009) - See [Vision](#)

Our Vision is to maximise the impact of our knowledge, skills, facilities and resources for the benefit of the United Kingdom and its people. The Corporate Strategy has been developed to deliver STFC's Vision. It sets out the goals, themes and enablers to deliver STFC's mission. Three strategic goals of world class research, innovation and skills, are supported by six strategic themes to focus our approach to their achievement. In addition, three enablers underpin the delivery of the strategy. STFC's current Strategic Plan covers the period 2010-20.

This in turn informs the Delivery Plan and Scorecard, which cover an entire CSR three year period, and are refreshed annually in line with BIS' requirements. The deliverables in the Scorecard represent key activities related to the Corporate Strategy. These are reported quarterly to BIS. These are created from a number of underpinning Departmental strategies relating to the operation of individual elements of the organisation. In detail these are

- the **Delivery Plan** which sets out our plans and programmes for a three year period
- the complementary scorecard, which lists more detailed key, strategic-level deliverables and associated metrics and targets derived from the STFC Delivery Plan; and
- the **Economic Impact Reporting Framework** (EIRF) which focuses on the contribution an individual research council makes to achieve the Public Service Agreement target and performance.

STFC is developing a reporting structure which ensures that the correct measures are in place at the correct level to track progress, and which are directly related to the overarching goals and themes as set out in the Corporate Strategy

### **Outputs from Grant Funding**

STFC has not in the past collected in a systematic or usable way information on the outputs from our grant funding. With increasing pressure from Government to demonstrate impacts arising from our funding, it is essential that we have a robust, repeatable method whereby we collect this information.

We will commission an on-line system for gathering data related to the impacts from STFC-funded research. It is envisaged that this data gathering system will ensure that researcher effort is minimised as data will be submitted only once.

We will use the system to collect data on impacts arising from grants which we fund in our core areas of Particle Physics, Astronomy, Space science, Facility Research and Development, and Nuclear Physics. We will also collect data from areas such as Science in Society, High Performance Computing, Follow-on Funding, Innovation Partnerships and Project Research and Development.

## **3.5 Our Culture, Behaviour and Values**

Culture is a very intangible element of the organisation - which can be defined as 'the way things are done around here'.

In this sense it has a huge impact on staff attitudes and expectations within the workplace.

STFC is working toward a culture that ensures:-

- Staff taking responsibility and ownership
- Clear direction
- Clear structure and clear roles and responsibilities of Directors and boards
- Strong visible leaders
- Decisions are made and acted upon by all directors
- One set of policies and HR mechanisms for all staff at all sites
- Effective communications to receptive staff
- Effective reward systems and consequences for poor performance
- Proud to be part of STFC and recognise the strengths of other sites

### 3.5.1 Safety, Health and the Environment (SHE)

Health and Safety are critical aspects of work undertaken by the STFC, the range of hazards routinely faced and controlled by STFC staff extend from civil construction, to biological safety through chemical, electrical and radiation hazards to name a few.

#### Health and Safety Policy

Our [Health and Safety policy document](#) agreed with trade union representatives, is subject to review and reaffirmation annually by the STFC Chief Executive or more frequently as determined by organisational change, legislation or other significant factors recommended by the Head of Safety Health and Environment.

#### Environmental Policy

We are fully committed to ensuring high standards of environment management throughout our organisation and we believe that the goals of the STFC cannot be achieved without such standards.

[View/Download Environmental Policy Statement](#) .

#### SHE Management systems

The STFC is developing its Safety, Health and Environmental (SHE) Management systems to facilitate cutting edge science and develop world leading technology – these will not be achieved without high standards of SHE management, demonstrable leadership and the personal commitment of us all. This is a link to our [SHE Public Website](#) , which contains details of our Policies and detailed SHE Codes.

#### More details

For more details of our approach to Safety, Health and the Environment, please contact a member of the SHE group. This is a link to [SHE group contacts](#) .

### 3.5.2 Equal Opportunities

#### General Policy Statement

1. Everyone in STFC is responsible for treating others with dignity and respect, without unfair discrimination, and for promoting equality in all matters.
2. STFC and the other Research Councils aim to develop as organisations that value the diversity of their staff and stakeholders, enabling all to realise their full potential by valuing the contribution of everyone, and recognising and harnessing the benefits that differences can bring. They are committed to eliminating unlawful discrimination and promoting equality of opportunity and good relations across and between defined equalities groups in all of their relevant functions.
3. Accordingly, no eligible job applicant, funding applicant, employee or external stakeholder including members of the public should receive less favourable treatment on the grounds of: gender, marital status, pregnancy, sexual orientation, gender-reassignment, race, colour, nationality, ethnicity or national origin, religion or similar philosophical belief, spent criminal conviction, age, disability or contractual and work roles.

4. STFC has published equality schemes and action plans setting out how we will meet our general and specific legal duties in relation to [gender](#) , [disability](#) and [race](#)

Our schemes also help STFC towards mainstreaming diversity throughout the organisation and its activities.

For further information, please follow this link [Equality and Diversity](#)

### 3.5.3 Service First

We regularly review our target standard of service in a number of areas, including the following :

- Grant, studentship and fellowship applications
- General correspondence
- Providing information
- Consulting users
- Complaints procedure

The current standards ("Service First") can be found by following this link - [Service First](#)

### 3.5.4 Seven principles of public life

At the request of the Prime Minister, the Nolan Committee spent six months inquiring into standards in British public life. The Committee has set out Seven Principle of public life.

For more information on the Committee on Standards in Public follow this link - [Public Standards](#)

#### ***SELFLESSNESS***

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

#### ***INTEGRITY***

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

#### ***OBJECTIVITY***

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

#### ***ACCOUNTABILITY***

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

## **OPENNESS**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

## **HONESTY**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

## **LEADERSHIP**

Holders of public office should promote and support these principles by leadership and example.

### **3.5.5 CRISTAL**

STFC has developed a management competency framework, CRISTAL.

#### ***Keys points about CRISTAL are:***

- It has been generated as a result of extensive discussions with STFC staff and the 7 competencies that make up CRISTAL express what staff consider to be the most important aspects of management effectiveness.
- The 7 competencies, each with 7 performance indicators are

Communication

Responsibility

Integrity

Solution Focus

Teamwork

Awareness

Leadership

- The framework operates in the context of STFC's mission and developing strategy. It relates mainly to the behaviours required for the effective management of people. It does not include details specific to other areas of management such as management of projects, finance or safety.
- CRISTAL can be used to provide individuals with comprehensive feedback on their management effectiveness from all levels - their manager, staff and colleagues. It can also be used as a self-assessment tool.
- Although CRISTAL was developed for use by managers, many of the competencies are appropriate for staff who do not manage others, and can therefore be used by all staff to assess their effectiveness in these areas.
- CRISTAL is not intended to be used to compare the performance of

different people. It is intended as a diagnostic tool to help each person to identify his or her priority learning needs so that learning activities can be better focussed and more effective. The ultimate objective is to improve the standard of management within STFC.

- CRISTAL is delivered through a range of resources and activities designed to help people to develop in each of the 7 competencies. These include courses, workshops, open learning resources and ideas for self-development. CRISTAL training is mandatory for employees with staff management responsibilities.
- CRISTAL is complemented by STFC's staff appraisal arrangements which provide for the agreement of specific and measurable work objectives, progress against which is jointly reviewed on a regular basis, and the development of individual learning and development plans.

### 3.5.6 Investors in People (IiP)

**Investors in people** (IiP), is a voluntary assessment scheme supported by the UK Department for Business, Innovation and Skills with the aim of improving organisational performance by investing in an organisation's staff through education and training.

The STFC was successful in achieving the Investors in People Standard at its review in December 2008, reflecting the significant progress made since its formation in 2007.

The Assessor's recommendations for further improvements will be addressed by our [Change Programme \(Blueprint\)](#).

### 3.5.7 Change Management (Blueprint Programme)

STFC is committed to continuous improvements, and in July 2008 STFC launched the Blueprint programme to define and implement the changes needed to deliver its future strategy, and maximise the impact of its activities.

The programme was designed to move the organisation forward through fundamental changes in structures, capabilities and ways of working.

Eight projects were established, and during the year they have delivered 'To Be' designs and transition plans to achieve

- Strong and clear leadership through a senior Leadership Development programme
- New measures of success in line with the strategy through a new Performance Management framework
- Allocation of resources to priorities through a new Financial Model
- A fit for purpose streamlined organisation structure reflecting the new strategic focus
- Agile and effective decision-making management processes
- A service oriented support infrastructure through greater user involvement in governance

- A positive and collaborative culture through greater staff engagement
- The capability to deliver successful change by managing the change agenda, and building management tools and skills.

### 3.5.8 Information Management

#### Freedom of Information

The Freedom of Information Act ("the Act") establishes a general right of access to all types of recorded information held by public authorities; it sets out exemptions from that right and places a number of obligations on public authorities.

Individuals are entitled, on making a request for information, to be informed in writing whether the information of the description specified in the request is held, and, if so, to have the information communicated, unless the information falls under one or more of the exemptions in the act.

This process is detailed on the [STFC's Publication Scheme - Freedom of Informations requests](#) web page.

Under the Act all public authorities are required to adopt and maintain a publication scheme which commits the authority to make information available to the public as part of its normal business activities.

This is a link to the [STFC's Publication Scheme](#) which contains a guide to the information we publish.

#### Data Protection / Information Charter

Your privacy is important to us. We may need to handle personal information about you so that we can provide services for you. STFC, together with the Department for Business Innovation & Skills (BIS), and partner organisations, has signed up to shared principles documented in our [Information Charter](#) for handling your information.

This charter is intended to give you confidence in the security of that information by explaining what we do with it.

#### Security Policy Framework

The Security Policy Framework (SPF) outlines mandatory security policy requirements that all Departments and Agencies must meet. This framework should also be extended, where necessary, to any organisations working on behalf of, or handling HMG assets, such as **Non-Departmental Public Bodies (NDPBs)**, contractors, Emergency Services, devolved administrations, Local Authorities or any regular suppliers of goods and / or services.

In areas where statutory security requirements apply (e.g. air safety, nuclear security) this framework must be applied in line with those requirements. Departmental Security Officers (DSOs) (in consultation with the Senior Information Risk Owner (SIRO) as necessary) will need to determine where and what level of compliance is required of their delivery partners, and where equivalent security policies are acceptable.

This policy is supplemented by detailed advice and guidance which the DSO can

distribute on a 'need to know' basis.

More detailed information can be found on the [Cabinet Office SPF Website](#)

### 3.5.9 Communications

In addition to standard types of communications, (such as email) , we have set up 7 channels of internal communication.

These methods have been set up to meet different needs, and to ensure all staff receive some kind of communication regularly.

The 7 channels are as follows:

#### **A weekly newsletter ("in.brief")**

This newsletter contains a round-up of news, meetings and events

#### **Staff Intranet**

The STFC intranet provides a channel for the exchange of information to staff across all sites, irrespective of location. It provides a common source of corporate information (i.e. across the Council) on news, policies and services direct to our staff.

#### **Staff Forums**

Monthly meetings, which allow staff to interact with senior staff, raise issues, ask questions and hear latest developments

#### **Spectrum**

STFC newsletter produced six times a year, available via in.brief, on the STFC Intranet and on A4 printed sheets. The newsletter incorporates a balance of social and corporate news.

#### **Plasma Screens**

These are dotted around STFC sites, and the screens display topical items of news.

#### **Display boards**

These are also dotted around STFC and are used to communicate notices to staff.

#### **Other People's business (OPB)**

Details of events and visits to other parts of STFC sites that may be of interest to staff.

### 3.5.10 Research Conduct.

A Research Councils UK (RCUK) policy document sets out clear guidance on best practice for researchers

The RCUK Policy and Code of Conduct on the Governance of Good Research Conduct also provides guidelines which describe how to manage research to ensure the highest standards, and on the reporting and investigation of unacceptable research conduct.

The code covers the following areas:

- Guidelines for the Management of Good Research Conduct
- Good research conduct
- Guidelines for the Reporting and Investigation of Unacceptable Research Conduct

The policy document can be found by following this link - [Governance of Good Research Conduct](#) .

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## 4 Our Operational Framework

### Purpose

This Operational framework provides the key means of communicating key policies and procedures and setting out operational standards. This builds on the organisational framework to direct staff to clear and unambiguous instructions and guidance relating to the conduct of STFC business.

### Overview

New and updated Policy and Procedural notices will be developed, approved, communicated and published within a range of policy mechanisms. Once approved the Policy and/or Procedure will be held within the appropriate policy/ procedural repository as described below.

Policies and procedures are communicated through the following routes:

1. Governance policies and procedures that have a high level Executive Board or Council focus/ direction or cut across more than one of the functional boundaries. These are published within this manual.
2. Other policies and procedures for key underlying functional / topical activities are contained within supplementary guides/manuals and links are provided through this manual. Responsibility for maintaining these policies rests outside this manual.

### 4.1 Governance Policies & Procedures (GPs)

New and updated Governance Policies and Procedures will be developed, approved, communicated and published through this Governance Manual. Current Governance Policies cover the following:

- GP1. [Scheme of Delegation](#)
- GP2. [Fraud Policy](#)
- GP3. [Conflicts of Interest](#)
- GP4. [Giving Gifts & Hospitality](#)
- GP5. [Regularity & Propriety](#)
- GP6. [Legal Policy](#)

### 4.1.1 GP1 Scheme of Delegation

To support accountability requirements STFC has developed and will keep up to date this Scheme of Delegation. This scheme sets down a basic framework for clarifying accountability and responsibility for particular types of decisions consistent with the limitations and requirements set out in the STFC [Management Statement](#) and [Financial Memorandum](#) .

This scheme of delegation covers financial and non-financial responsibilities and provides clarity as to where decisions can be taken, including decisions by:

- Council consistent with the delegation to Council set out in the Financial Memorandum; and
- The Chief Executive in his/her capacity as Accounting Officer.

#### Purpose

The purpose of the scheme of delegation is two-fold:

- 1 It is a tool for Council to regularly review, at a glance, where it makes decisions and on what issues, and whether it wishes to delegate more decision-making authority to the Chief Executive.
- 2 It will enable staff responsible for planning, discussing issues, or top-level decision-making, to identify where decisions are made and assess the need for wider engagement.

This scheme applies to any person, third party, agent, or any other body transacting business (including the passing of income and / or expenditure through the financial records of STFC) or entering into commitments on behalf of the STFC, irrespective of whether a formal agreement is established.

This scheme will be reviewed annually and any significant changes referred to Council for agreement.

This is an internal scheme of delegation for STFC. It does not replace either the Management Statement or the Financial Memorandum between STFC and BIS. It is designed to sit alongside the delegation letters issued by the STFC Chief Executive and cascaded down the management chain through directors.

#### 4.1.1.1 Principles of the scheme of delegation

This scheme adopts the [RACI framework](#) for the cascade of delegation from Council down through the executive chain (boards and staff) and applies the following principles:

- Delegation of authority “flows down” from and accountability “flows up” to the Council and the CEO.
- Where individuals or boards have been designated as “Accountable” within RACI principles this accountability in turn “flows up” the management chain to the CEO and Council (i.e. line managers retain accountability for the performance of their sub-ordinates).

- Where individuals or boards have been designated as “Responsible” within RACI principles this responsibility does not absolve the individuals or boards of accountability. With responsibility there remains accountability of performance and behaviour.
- The application of this authority must be aligned to strategic and operational objectives.
- Those delegated to commit on behalf of STFC must have due consideration for risk; not only financial risk but also operational and reputational risk. A record of risk assessments should be retained locally and where appropriate reflected in the Corporate Risk Register.
- Those who are accountable for using STFC resources are required to remain within budget and to ensure that at all times they act with due regard to value for money, regularity and propriety in the use of resources.
- "Regularity is the principle that resource consumption should accord with the relevant legislation, the relevant delegated authority and [Managing Public Money](#) " i.e. regularity is about compliance with appropriate authorities.
- "Propriety is the principle that patterns of resource consumption should respect Parliament’s intentions, conventions and control procedures, including any laid down by the Public Accounts Committee (PAC)." "We take propriety to encompass not only financial rectitude, but a sense of the values and behaviour appropriate to the public sector."
- Where authority is delegated, it must be delegated appropriately and in writing. Letters must state whether further delegation of responsibility is allowable. Delegated authority must be granted and exercised consistent with the terms of this overall “Scheme of Delegation” and within applicable laws, regulations and corporate policies.
- Directorates, departments and other organisations owned and/or managed by the STFC must have local schemes of delegation which must adhere to this overarching scheme.
- Support and training must be made available to ensure management responsibilities are discharged to the highest standards possible.
- At the time of personal delegation, an individual must disclose any personal /financial interest in any aspect of STFC business over which he/she has control or delegated authority. Subsequent disclosures must be made within 30 calendar days of any additional personal / financial interest. See rules on ‘Conflicts of Interest’
- Corporate and local schemes of delegation should be reviewed at least annually.
- Failure to adhere to, or non-compliance with, the scheme of delegation is a disciplinary matter and may result in disciplinary action (including dismissal).
- Approvals should be supported by appropriate advice and risk assessment.
- Generally delegation should be passed down in a manner consistent with an individual’s responsibilities. Variation to this should be justified in the local scheme of delegation.
- Whilst responsibility may be delegated, the delegator retains accountability for decisions made and should establish appropriate

assurance mechanisms to assess compliance with any conditions placed on approval and monitor performance against stated objectives.

- Approval of contracts (commercial or otherwise) and other forms of agreement must pay due regard to technical matters (e.g. legal) and steps must be taken to ensure appropriate engagement is made, before formal sign off, with functional leads as required by established policies (e.g. Financial, Legal policy or Special Measures). Contracts cannot be entered into on behalf of the STFC unless specific delegation has been given.
- A letter of delegation must set out clearly the levels of authority, and responsibility for the management of resources and commitments. The letter must be signed by both the person delegating authority and by the person to whom the delegation is being given.

#### 4.1.1.2 Decisions specifically reserved for Council

Decisions specifically reserved for Council include:

##### Strategic Management:

- approval of the *Corporate Strategy*
- approval of the *Annual Report & Accounts*
- approval of the *Science Strategy*
- approval of the *Asset Management Strategy*
- *Performance Management* - any proposal to realign or act at variance to established strategic priorities
- Engagement in and mitigation of *High Risk Activities* as defined in the STFC Risk Appetite Statement [[insert hypelink](#)]

##### Corporate Governance:

- approval of key *Governance Policies & Procedures*
- approval of *Structural Change*
- approval of *Senior Appointments*
- consideration, review and approval of the *STFC Risk Appetite Statement*
- ultimate responsibility for oversight of the *Corporate Risk Register*

Council has ultimate responsibility for ensuring that there are adequate and appropriate controls in place in the pursuance of STFC business.

Council is required therefore to ensure that measures exist to:

- promote effectiveness and efficiency;
- underpin reliability of financial and other information;
- achieve compliance with internal policies, external laws and regulations;
- safeguard STFC's assets and interests; and
- ensure the development, implementation and monitoring of controls which manage risks.

The full range of activities required for referral to Council are further clarified in [Table 1 - Corporate Tier Delegations](#) In addition to the items listed in Table 1, Council reserves the right to call in for its approval and/or management any

activity not covered by the parameters set out in the table. These responsibilities will be carried out with appropriate consultation with the CEO in his/her capacity as Accounting Officer.

#### 4.1.1.3 Decision making by the Executive

The STFC's Chief Executive Officer (CEO) is responsible to Parliament for ensuring that the STFC's resources are managed with due regard to propriety and value for money. Directors in turn need to ensure that these requirements are met. This is particularly important as responsibility for management of resources is increasingly being devolved. Ensuring that there are adequate and appropriate controls in place is key to carrying out this responsibility.

The delegated limits applicable within the executive are further clarified in [Table 1-Corporate Tier Delegations](#) and [Table 2- Executive Financial Delegations](#).

In addition to the items listed in these tables the Chief Executive and/or the Executive Board reserves the right to call in for its approval and/or management any activity not covered by the parameters set out in the tables.

#### 4.1.1.4 Advisory/non-executive Committees

##### **Decision making by and / or advice of non-executive Committees and any sub-committees**

Non-Executive and Advisory Committees support Council and the Executive in formulating strategies, overseeing performance and advising on investments. These Committees have no executive authority but their advice carries weight. Any proposal to act contrary to the advice provided by these committees must be referred to Council.

#### 4.1.1.5 Decision Making by the Executive - General Delegation:

Staff should make decisions in accordance with the principles set down in this 'Scheme of Delegation'. All Operational Managers and Heads of Function shall be authorised to make any decisions relating to any matter within their area of responsibility provided always that the decision is:

- (a). within budget;
- (b). in accordance with the Council's policy and procedure framework;
- (c). properly risk assessed and within the limits of authority set out in the STFC Risk Appetite Statement and the officer's personal delegation letter;
- (d). in accordance with the approved Business Plan or objectives as appropriate;
- (e). within the principle of 'no major surprises' in that particular issues are escalated whereby a higher authority may be adversely impacted by the decision; and

- (f). not a matter specifically reserved to a higher authority as defined within these rules.

Directors should sub-delegate to staff within their operational structure. Within this sub-delegation each Director is responsible for maintaining a schedule of named officers and their authorised financial limits.

#### 4.1.1.6 Special Measures

From time to time STFC may issue special measures to deal with changing circumstances. By their nature Special Measures will be in place for a limited period. These will be announced through 'In Brief' and published on the STFC intranet. They will remain in force until such time as they are rescinded.

Executive Board will review the continuation of special measures periodically.

#### 4.1.1.7 Shared Service Centre & Delegation

The overarching delegated limits applicable within the executive are set out in [Table 2 - Executive Financial Delegations](#). This scheme should be reflected in the principles agreed through the Collective Master Service Agreement (and supplementary documentation) in place defining the interface between the Research Councils and SSC. The combination of SSC Standard Operating Procedures (SOPs) and Council Operating Procedures (COPs) must reflect the principles approved by Council in this Scheme.

Directors should sub-delegate as appropriate to staff within their operational structure. Within this sub-delegation each Director is responsible for maintaining a schedule of named officers and their authorised financial limits as defined in the SSC Approvals Management Engine (Task Manager limits; Project approval limits managers and Cost Centre approvals). These schedules should be reviewed annually and signed off by the Director consistent with their own limits of authority.

#### 4.1.1.8 Representation on External Bodies

In the course of its business STFC members of staff may be required to act on the board of an outside body (subsidiary or other arms length activity) or represent STFC on key committees or groups.

All such representative roles should be approved by the Director of Finance and the terms of representation clearly set out in writing.

All requests or nominations for representation should be routed through the Head of Governance. A log of all such representative roles will be retained by the Governance Team.

### 4.1.2 GP2 Fraud Policy

#### Purpose

Governance in public sector organisations includes arrangements for preventing, countering and dealing with fraud. No organisation or administrative process is free of risk. Fraud is an ever-present threat and

therefore must be a concern to everyone.

The purpose of this FM policy statement is to provide details of STFC's approach to Fraud including:

- STFC's 'zero tolerance' to fraud;
- The prevention, identification and reporting of suspected cases of fraud;
- STFC's investigation of suspected fraud (see section on Fraud Response Plan); and
- STFC's response to proven cases of fraud.

It is important to note that this policy relates to all members of staff, visitors, contractors and non-executive membership of Council, boards and committees, irrespective of seniority or length of service.

#### 4.1.2.1 Fraud Definitions

##### Fraud:

The *Fraud Act* does not specifically define fraud but does define a number of principles of fraud. A person is guilty of fraud if he is in breach of any of the sections listed in subsection (2) (which provide for different ways of committing the offence). The sections are:

- section 2 (fraud by false representation),
- section 3 (fraud by failing to disclose information), and
- section 4 (fraud by abuse of position).

For practical purposes STFC defines fraud as follows:

*"Where a person dishonestly makes a false representation, or wrongfully fails to disclose information, or secretly abuses a position of trust with intent to gain or to cause loss or expose another to the risk of loss."*

#### 4.1.2.2 Policy

STFC's policy on fraud is:

- STFC has '**zero tolerance**' to fraud and all suspected cases will be vigorously investigated;
- Employees should report any suspicion of fraud (internal or external) to an appropriate party as described below. Any report of suspected fraud will be treated with absolute confidence and staff reporting suspicions are protected by law under the [Public Interest Disclosure Act 1998](#) (commonly known as "the Whistle blowing Act");
- Staff subject to investigation are accorded due consideration consistent with CEM 8 Conduct & Discipline, including representation at interview and all rights under law;
- cases of proven fraud will be dealt with as serious misconduct under STFC's disciplinary procedures (CEM 8 Conduct & Discipline) with

dismissal being the ultimate penalty. Cases will also be pursued through the courts if necessary;

- staff must familiarise themselves with and act in compliance with all published guidance and procedures relating to the avoidance and detection of fraud within STFC.

#### 4.1.2.3 Conduct

The Code of Conduct for all STFC employees forms part of the terms and conditions of employment. Staff should familiarise themselves with the contents of the Code and should act in accordance with the principles set out in it. Breaches of the Code may be the subject of disciplinary action. All STFC staff have a duty:

- To discharge public functions reasonably and according to the law
- To recognise ethical standards governing particular professions.

The Chief Executive is designated as STFC's accounting officer. He or she has overall responsibility for propriety including conduct and discipline.

STFC subscribes to the Seven Principles of Public Life set out in the Nolan Committee's first report "Standards in Public Life" and the guidance issued in the [Treasury Handbook "Propriety and Regularity"](#). The Seven Principles of Public Life, apply to all employees of STFC.

All STFC employees are stewards of public funds and must endeavour to safeguard the public resources for which they are responsible. Other complimentary guidance / policies exist for:

- [Conflicts of Interest](#) ;
- Acceptance of Gifts, Rewards and Hospitality ;
- [Giving of Gifts and Hospitality](#) ;
- [Regularity & Propriety](#) .

#### 4.1.2.4 Fraud Prevention

To prevent fraud it is necessary to be alert to the risks business systems are susceptible to, and to have strong internal controls, strong internal audit and an acceptance of external evaluation and validation of systems and processes. Everybody should be alert to fraud. It is diverse, usually concealed and a product of the individual operational situation. It usually occurs where critical controls are weak or not functioning as intended.

It is incumbent on **all staff** that they must examine their working procedures with a view to ensuring that adequate controls and checks on the use of STFC resources exist, that these are applied effectively and to report any suspicious activity.

The Chief Executive has overall responsibility for the establishment and operation of controls. STFC relies on compliance with and review of laid down

controls to prevent fraud including:

- Financial controls (e.g. delegated authorities; reconciliations, safeguarding of payable instruments & cash);
- Security of portable or attractive items and other assets;
- Internal compliance checks and stewardship reviews; and
- Independent reviews carried out by for example the Research Councils Internal Audit Service (RCIAS) and the National Audit Office (NAO).

#### 4.1.2.5 What To Do If You Suspect Fraud ("Whistle blowing")

Where staff have concerns of improper activity or fraud they should report this to an appropriate party as outlined below:

- where the individual feels comfortable they should report the matter to their line manager or Director;
- where the individual prefers anonymity or strict confidence concerns can be raised with the Head of Governance; Finance Director or the Head of Human Resources;
- where staff feel uncomfortable with the internal management route, two independent individuals have been nominated to investigate complaints. They are:
  1. Mr Marshall Davies (email: [whistleblower@stfc.ac.uk](mailto:whistleblower@stfc.ac.uk)), Council member/ Audit Committee Chair; and/or
  2. John Neilson (email: [John.Neilson@BIS.gsi.gov.uk](mailto:John.Neilson@BIS.gsi.gov.uk)), Department of Business Innovation & Science;

Anyone wishing to raise a complaint independently should do so initially by contacting the Audit Committee Chair at the e-mail address above. If, having done so, the staff member believes that the reply does not represent a reasonable response to the issues raised, he or she may report their continuing concerns in writing to John Neilson BIS or staff also have the right to refer their concerns to the Permanent Secretary of the Department for Business Innovation and Skills (BIS).

If you continue to have concerns about the misuse of public money, you can report your concerns or seek further advice through:

- the [NAO Whistleblowers guide](#) or Whistleblowers Hotline: 020 7798 7999; or
- the charity [Public Concern at Work](#)

#### 4.1.2.6 Fraud Response Plan

STFC has developed this Fraud Response Plan to provide a framework against which any allegation or suspicion of fraud should be investigated.

All allegations of or attempted cases of fraud must be reported to and logged by the Head of Governance (confidences should be retained where requests for anonymity have been made). Individual cases will be relayed to the Finance

Director (FD) and the Director of Corporate Services.

Investigation will be initiated as deemed appropriate by the FD, in consultation with the Director of Corporate Services. The circumstances and approach should be documented in a formal Fraud Response Plan. This may include FD oversight of a preliminary investigation or the initiation of a full investigation overseen by a Fraud Response Committee (FRC).

The FRC will be chaired by the FD supported by a small group of senior staff (including HR).

The Fraud Response Plan should consider the following activities:

- Consideration of the appropriate steps necessary to secure evidence and to take action including potential interview with the suspected individual (accompanied as required) and suspension as appropriate.
- Conduct of an initial 'Preliminary Review' to assess the likelihood and impact of the suspected offence - this may be carried out by an individual, a group individuals with relevant skills or the Research Councils' Internal Audit Service (RCIAS) depending upon the scale and complexity of the case. This will conclude with a report, including recommendations to the FD.
- Acting on the recommendations of the Preliminary Review consideration will be given to a 'Full Investigation'. The purpose of the Full Investigation is to assess:
  - the quality of evidence,
  - the completeness of evidence,
  - control weaknesses that allowed the fraud to occur, and
  - whether fraud occurred and the scale of the fraud.
- Where appropriate consideration of appropriate disciplinary action and involvement of the Police in a formal criminal investigation.
- The Fraud Response Plan should be updated at each stage to record assessments, considerations and decisions made including:
  - Scale of review;
  - Securing documentation and evidence (including appropriate use of warrants);
  - Suspension/ dismissal or otherwise;
  - A caution consistent with the Police and Criminal Evidence Act 1984 ([PACE](#)) and accompanying codes of practice. Nothing in PACE requires a caution to be given or repeated when informing a person who is not under arrest that they may be prosecuted for an offence. However, a court will not be able to draw any inferences under the [Criminal Justice and Public Order Act 1994](#), section 34, if the person was not cautioned;
  - Police engagement; and
  - Criminal and /or Civil action (recovery).

A Final Report should be made to the CEO (and Audit Committee) setting out:

- The background to the case inc:
  - Identification/ how raised;
  - Individuals involved; and

- Action taken to instigate investigation.
- Conclusions on whether fraud was committed or not, and the scale of fraud if appropriate;
  - Recommended action including disciplinary and police/ court action as appropriate;
  - Recommended Control improvements.

Internal disciplinary procedures will be applied within the requirements of CEM 8. Any action to involve the police or to instigate court proceedings must be approved by the Chief Executive on the advice of the FRC

### 4.1.3 GP3 Conflicts of Interest

#### Purpose

All individuals who serve the public including: RC staff, Council and Committee Members - are expected to observe the highest standards of conduct and to follow the Seven Principles of Public Life.

The purpose of this policy is to provide advice and guidance on how to manage potential or actual conflict of interest that may arise in decision making processes within STFC. This guidance applies to staff and non-executives (as individuals or members of committees) engaged in advising on or exercising decisions in the pursuance of STFC business.

#### Introduction

The need to consider the propriety and regularity of all actions undertaken on behalf of STFC, including consideration of the ethical and social implications of decisions made, applies at both a corporate and individual level. This guidance sets out procedures for managing **conflict of interest** for all individuals involved in decision making processes. It has been developed in order to protect the integrity of Council and reduce the risk of actual or perceived impropriety in the conduct of Council business.

In various cases that have appeared before The Public Accounts Committee, the committee has commented that:

- responsibility for public funds entails maintaining the expected standards of propriety. This includes not only avoiding actual or potential conflicts of interest but also any doubt that such conflicts might exist;
- potential conflicts of interest are very serious matters indeed. We do not have to prove that something wrong has happened as long as the potentiality for that wrongdoing exists;
- it is clearly important that persons in high public office should ensure that circumstances do not arise which can give cause to any allegations of abuse of position; and
- it is essential for the proper conduct of business that public bodies should be free, and be seen to be free, from any relationships which could materially interfere with their ability to take open and fair decisions aimed at securing value for money in the public interest.

#### Conflicts of Interest Procedures

Public servants are responsible for public funds therefore the standards of

behaviour in relation to financial matters are different and more demanding than those which may be accepted for equivalent activities in a private context. In the case of potential conflicts of interests in the absence of specific statutory provisions, common law requires that all members of public bodies should not participate in the discussion or determination of matters in which they or a member of their family or household have a direct pecuniary or other material interest and where participation in the discussion would suggest a real danger or bias or give rise to a perception of bias.

Upon taking up their appointments and exercising their responsibilities Council members and other non-executive members of boards and committees (see [Code of Practice For Council Members](#) ), together with Directors and other staff of STFC are required to declare any interests which may conflict with the interests of the Council or their public responsibilities. Council, Panel and Committee members are required to notify the relevant STFC secretary of all similar potential conflicts of interest and declare any such interest, including a positive declaration of no conflict of interest, at the start of each meeting. These interests should be recorded in a register maintained by the relevant Secretariat (non-execs) and the Head of Governance (all staff). The Council register will be published on the STFC internet.

This declaration should cover direct or indirect pecuniary interests which members of the public may reasonably think could influence judgement. (Indirect pecuniary interests arise from connections with bodies which have a direct pecuniary interest or from being a partner of, or being employed by a person with such interests). Examples of such interests are: company appointments; directorships; consultancies and honorary appointments.

Individuals must declare their interest and should not normally participate in the discussion or determination of matters in which they have an interest unless invited to do so. Personal interests should not impinge (or be seen to impinge) on the impartiality of those involved in decision making processes. Even if the individual feels that they are able to be objective, it may be perceived by others that a decision has been influenced if the individual with a perceived vested interest remains in the room or involved in the decision process. In the interest of transparency and openness, and so as to avoid any perceived or actual conflict, the individual should normally withdraw from the meeting or decision making process, even if it is held in public. The continued presence of someone who had declared an interest might be thought likely to influence the judgement of the other members present, a situation which should be avoided wherever possible.

Normally in the case of Council, Committee, Panel and review board/decision making meetings the Secretary of the meeting should ask any member with a declared conflict of interest to leave the room before discussion on the area concerned begins. On the very rare occasion that it is essential that, despite the actual or potential conflict, it is felt that an individual with a declared interest must participate in a discussion (e.g. where the individual is the only available source of expertise needed to inform the decision making process), the justification for continued engagement (e.g. reduced involvement or, in very rare cases, full participation) must be recorded and approved by an appropriate authority (meeting Chair; Line Manager).

If there is any doubt about whether the decision to remain involved is

defensible to a reasonable member of the public then the individual should absent themselves from the meeting or be asked to leave by the Chairman who will normally have been informed of the circumstances by the secretary. The circumstances should be fully recorded in the minutes and a full audit trail kept and made available for any required review and/or scrutiny.

### **Special Arrangements - CEO**

Special arrangements apply to the position of the CEO as STFC Accounting Officer. Council recognises that the Chief Executive, as Accounting Officer, has unrestricted oversight of the conduct of STFC business; it follows that it would be wrong for the CEO to be excluded artificially from any aspect of business, including transactions affecting his or her home institution, where the perception of conflict of interest might arise. In order to discharge their responsibilities effectively, Chief Executives need to be responsive to advice and concerns registered with them about any matter of STFC business. It would not be acceptable for a CEO to feel that whilst they were able to intervene to correct or to add value in relation to business with any academic or international partners, they could not contribute where the partner or prospective partner was directly associated with a Chief Executives research interests or home institution.

In recognising this and the importance of transparency in managing apparent conflicts, the STFC Directors have discussed the issues with the Chief Executive and with Council and have agreed a procedural approach relating to the conduct of Committee business where proposals which might be perceived to present a conflict of interest are to be discussed. The key to this is that where the Chief Executive is to attend meetings at which such business is scheduled, the Committee Secretary will discuss handling arrangements with the Chief Executive beforehand and if necessary during the course of the meeting. Within this framework it will be for the Chief Executive to exercise judgement in relation to the extent of their participation on any given occasion.

### **Annual Review**

In addition and in support of the Annual Report and Accounts the Governance team will conduct a range of end of year activities to collate any actual or potential for perceived conflicts of interest including:

- Collating annual declarations for any 'Related Party' transactions that may actually or be perceived to conflict with STFC business;
- liaison with Committee/ Board secretaries and Directors to collate declared 'conflicts of interests'; and
- Collation of records of 'Gifts & Hospitality' given or received.

#### **4.1.3.1 Conflicts of Interest (Further Guidance)**

##### **Conduct / Behaviour**

Individuals must not misuse their official position or information acquired in their official duties to further their private interests or those of others this could include family members, business associates or friends and neighbours. It is a requirement that members of staff, particularly key members in decision making processes e.g. the CEO, Directors, managers of large contracts and staff working on contracts, must ensure that any possible conflicts of interest are identified at an early stage and that appropriate action is taken to resolve them.

There are some basic dos and don'ts that illustrate what is and is not proper

behaviour in the stewardship of public funds. Those particularly related to conflict of interests include:

- If in doubt as to whether a conflict exists then declare it and allow chair or other authority to gauge degree of conflict;
- don't bend or break the rules;
- don't deceive or knowingly mislead;
- don't allow a conflict of interest to affect, or appear to affect, decisions;
- don't use public money for private benefit or for others;
- do record the reasons for decisions; and
- be transparent, honest, impartial and even-handed.

#### What Constitutes A Conflict Of Interest?

Any link, whether financial, familial or business relationship etc, between a staff or board/panel member and other individual or organisation that may benefit from the allocation of public funds or may provide personal benefit to an individual public servant may be perceived to be a potential conflict of interest and should, in the interests of transparency, be declared as such.

Where an interest is not of a direct pecuniary kind consideration must be given to whether or not there could exist the perception that decision makers might unwittingly or otherwise unfairly regard with favour or disfavour the case of a party to the matter under consideration. In considering whether a real danger of bias exists in relation to particular decisions, individuals should assess whether they, a close family member, a person living in the same household as the individual, or a firm, business or organisation with which the individual is connected are likely to be affected by the decision, or discussion leading to the decision in question.

The perception of benefit from conflict of interest can work both ways i.e. either decisions made by public servants might be seen to benefit the individual/company/organisation in receipt of public funds or may be seen to personally benefit the individual staff/board/panel member making that decision.

The [Civil Service Code](#) provides good practice advice e.g. para 4.1.3 (c) says:

'civil servants must not misuse their official position or information acquired in the course of their official duties to further their private interests or those of others. Conflicts of interest may arise from financial interests and more broadly from official dealings with, or decisions in respect of, individuals who share a civil servants private interests (for example freemasonry, membership of societies, clubs and other organisations, and family). Where a conflict of interest arises, civil servants must declare their interest to senior management so that senior management can determine how best to proceed.'

In the context of peer review of project proposals or grant applications, a conflict of interest is normally deemed to arise:

- (a) when a Council/Board/Committee/Panel member is a signatory to the proposal or application under consideration;
- (b) where a review board/panel member is from the same institution as the applicant;

- (c) where a review board/panel member has a commercial interest in the proposal;
- (d) where a member of the review board/panel members family or household would benefit from the success of the proposal.

In the context of placing a contract a conflict is deemed to arise:

- (a) when there is a direct personal, family or friendship link between an officer involved in the process of negotiating or placing a contract and the contractor e.g. ownership or working relationship with the contractor;
- (b) where the officer or a member of his family or friends has a financial interest in the contractor e.g. is a partner or employee in the business, has shares or other financial interest in the company.

#### 4.1.4 GP4 Giving Gifts and Hospitality

##### Purpose And Scope

This policy sets out the rules and standards that individuals should follow with regard to the giving of gifts and/or hospitality. It applies to all STFC employees, agency staff and contractors fulfilling the roles of employees, and Council/Non-Executive members engaged on STFC business.

It takes account of STFC's status as a Non-Departmental Public Body, the need to ensure the proper, effective and efficient use of public money, and the need to ensure that any expenditure can be justified as being in the Council's interest and providing value for money.

The policy applies to all instances where gifts and hospitality (meals and drinks, overnight accommodation, entertainment and gifts, transport to and from the venue, and other similar items) are provided at STFC's expense.

##### Definitions

A gift is defined as an item given, without the expectation of receiving anything in return. For Government accounting purposes the term 'gift' includes all transactions, which are virtually indistinguishable from gifts, for example, permanent loans for the expected useful life of the asset. It also includes the sale or lease of assets at less than market value. Gifts, whether of money or equipment, will generally be made without preconditions. Thus, grants or grants in aid are not regarded as gifts, because they are subject to stringent conditions and there is an expectation that the Government will receive value through the furtherance of its policy objectives.

Hospitality reflects a reward to staff or external parties. These rewards may be in the form of free lunches, dinners, parties, holidays, etc.

##### Gifts and hospitality to staff

Gifts and hospitality to staff are subject to the requirements Para 53 of the STFC Financial Memorandum (FM) and Cabinet Office guidance DAO(DFP)05/03. The FM requires a record to be maintained of all gifts that are valued at £50 and above.

Appendix A to the FM ('Financial Authority Delegated to Council') sets a limit on STFC of £300 per employee. This limit is sub-delegated to the Chief Executive; Chief Operating Officer and Director of Finance. Subject to any 'Special Measures' (see Scheme of Delegation) that may be in place all proposals for gifts or hospitality to staff must be submitted to one of the above delegated authorities for approval reflecting the following principles:

- Entertainment of STFC's own employees without a majority of external representation or business justification is not normally allowed. Where celebrations take place, for example to mark a colleague's retirement, any expenses should normally be met either by the host or by contributions from the celebrants. Similarly gifts for the retiring employee (or flowers for their spouse etc) should be bought from contributions. When exceptionally it is judged that such entertainment should be funded by STFC (for example to celebrate a particularly successful project), the relevant approval as set out above is required, and records of the costs and recipients must be kept and reported to Payroll as a taxable benefit in kind.
- Inexpensive working meals are permitted (max £50 total, <£8 per head) where it is only possible to hold a meeting over the lunch period. There must be a business need for the meeting and a strong business case to support the need to work through the meal period (the meeting must be sufficiently urgent that it cannot wait until a time is available which does not necessitate a working lunch, and participants' diary commitments must be sufficiently pressing that they cannot practically be re-arranged). It should not become the practice that working lunches are provided for senior staff meetings.
- Meals may be provided at team-building events, away-days etc. Provided there is a genuine team-building or learning and development purpose, such events are legitimately regarded as training courses not hospitality and are covered by the appropriate section of the CEMs.

NB Alcohol: It is inappropriate for alcoholic drinks to form part of the refreshments in a meeting or a working lunch.

### Gifts & Hospitality Specific To External Parties

STFC will provide hospitality for visitors on a scale commensurate with the nature of the visit. A reasonable assumption in most cases is that the visitor's own organisation will expect its staff to incur and claim back reasonable expenses in the same way and to the same extent as STFC. Refreshments on a modest scale may be provided – e.g.: refreshments in meetings and, if not part of the visitor's T&S, meals and drinks. Where possible, these should be provided using the STFC's services / facilities.

Some forms of hospitality/business entertainment to external parties are not classed as gifts but require approval in advance, from the relevant Director or a person with delegated authority. The purpose must be clearly business-related –

for example to discuss a particular business project, to maintain an existing business connection or to form a new one. The entertaining of personal friends for non-business reasons is not allowed, nor is reciprocal entertaining, even though a business topic may be discussed.

(Provided normal standards of propriety and economy are observed, the above does not prevent instances where, for example, STFC staff and colleagues from other organisations are attending the same external conference, and take their evening meal together, and all the costs on one occasion are paid by an STFC staff member and on the next occasion by a colleague from another organisation. Appropriate records must be kept by the claimant/GPC card-holder.)

For any business entertainment, the number of STFC “hosts” should be determined by the business need for their presence. The number of “hosts” should generally not exceed the number of visitors. Expenditure relating to any “host” whose presence is not “wholly, necessarily and exclusively” required for business purposes must be reported to Payroll as a taxable benefit in kind.

Where it is appropriate to offer gifts, only small promotional items – eg: pens, mouse mats – may be provided.

Light refreshments at official meetings are permitted.

## Approval And Record Keeping

Expenditure for gifts, hospitality, business entertaining, working meals and any exceptional entertainment of STFC’s own employees must be authorised in advance by the relevant Director who should consider whether the expenditure meets the above criteria.

Records must be maintained of all entertainment expenditure, including the amounts spent on a particular occasion, the nature of the entertainment and the reason for the entertaining (staff and external). These should be retained by the Director within the Department, with appropriate approval, for audit purposes, and where a taxable benefit in kind may have arisen, the form must be copied to Payroll. These records should be submitted to the Head of Governance annually.

### 4.1.5 GP5 Regularity and Propriety

All public servants are expected to observe the highest standards of conduct. Public servants must act with propriety, particularly in the care and management of public funds. Propriety is a concept with many facets, and experience has shown how important it is to understand the concept fully and to keep it at the forefront of the mind when making decisions.

**“Regularity and propriety: A Handbook”** (HM Treasury published November 2004) establishes the principles applicable to the public sector and by extension to STFC. The Handbook sets out specific responsibilities for the Accounting Officer and reinforces these responsibilities including the following statements:

“The essence of an Accounting Officer’s role is a personal responsibility for the propriety and regularity of the public finances for which he or she is answerable...”

"The Accounting Officer must... ensure that in considering proposals relating to the expenditure or income for which he or she has responsibilities as Accounting Officer, all relevant financial considerations are taken into account... and full regard is had to any issues of propriety or regularity..."

'Alongside these specific responsibilities, the Accounting Officer has a leadership role as regards propriety: his or her actions and behaviour must set a high standard for the organisation, and the Accounting Officer must communicate these standards to the organisation's staff.'

Whilst these statements clearly place a personal responsibility on the Accounting Officer the principles apply equally to all STFC staff and non-executives involved in the pursuance of STFC business.

## DEFINITIONS

Dictionary:

"Propriety - fitness; rightness; correctness of behaviour or morals"

"Regularity - conforming to a standard of etiquette or procedure; correct; according to convention"

### [Managing Public Money \(Glossary\)](#) :

"Propriety is the principle that patterns of resource consumption should respect Parliament's intentions, conventions and control procedures, including any laid down by the PAC."

"Regularity is the principle that resource consumption should accord with the relevant legislation, the relevant delegated authority and Managing Public Money.." i.e. regularity is about compliance with appropriate authorities.

Seven Principles of Public Life:

"We take propriety to encompass not only financial rectitude, but a sense of the values and behaviour appropriate to the public sector."

## STFC STANDARDS

### General Advice

STFC is committed to proper conduct of public business and has established the Governance Manual as a key mechanism in establishing and maintaining an effective governance framework and ensuring that all staff are aware of the standards and processes required in the performance of our business.

STFC reinforces the basic underlying principles that:

"if in your stewardship of public funds you have any doubt as to whether a proposed course of action meets the requirements of propriety, you should think again and seek advice....".

In practice the first place to seek guidance on policy or process is the Governance Manual and underlying policy framework. Where further clarification is required or there is a specific point of principle you should

normally consult your line manager but may also contact your Director, the functional lead in area of concern (e.g. Head of HR) or the Head of Governance.

If there is a lack of clarity in the regulations notified to STFC and/or doubts persist which prevent a proposed course of action being taken, then contact the Head of Governance who will in turn seek advice from the BIS or HMT as appropriate.

It cannot be stressed enough how important it is to follow the instructions and guidance provided in the publications referred to above and the need to fully document reasons for taking a particular course of action or making decisions that are in any way extraordinary. Any indiscretion could lead to the Chief Executive being called to appear before the Public Accounts Committee.

### Ethics and Social Responsibility

There are few aspects of any organisation's operations that do not have ethical and social responsibility implications. These are embedded in STFC's core values and form part of corporate strategy and planning as well as being included in training and education programmes.

Ethics are present in all societies, organisations and most individuals but can vary to a greater or lesser extent from one to another. What is ethical today may not be tomorrow and vice versa. Also what is ethical in one country or society may not be so in another and vice versa. Therefore there are no special sets of rules that apply - only the application of general ethical principles to business behaviour.

STFC takes its Ethical & Corporate Social Responsibility seriously. Corporate decisions and actions can have a social impact (for good or bad). Therefore being socially responsible requires management to seek to minimise the harmful social effects of its decisions and actions whilst giving due consideration to the likely financial implications of these actions. There are many "stakeholders" behind all ethical and social responsibility issues and their interests and concerns must be seen to be given full consideration when making decisions. These stakeholders include: central and local government; international partners; grant holders; HEIs; employees; customers; suppliers; creditors; local communities; tax payers; etc..... The environment could also be considered to be another stakeholder and should not be forgotten when making decisions.

### Corporate Commitment

Executive Board has committed to the following principles:

- Agile and Effective delivery;
- Use of best practices;
- Visibility of our processes;
- Lean processes and management;
- Empower and motivate;
- Continuous improvement; and

- Stakeholder engagement.

The benefits of following these principles are that:

- Stakeholders understand how decisions are made and who makes them
- Staff understand what they need to do to get things done
- Staff are empowered
- Bureaucracy and complexity are minimised
- STFC has a “Value for money” service orientation.
- We have the information available to improve our processes and make them more efficient and effective.

To address these issues STFC conducts its business in an open, transparent, honest and trustworthy manner. It must behave ethically and be socially responsible in both its business dealings and in its attitudes to, and recognition of, society's concerns and needs. A good corporate reputation is a very important organisational resource but is easily lost. Corporate probity and reputation are major risk issues therefore it is important that systems, processes and audit procedures are in place to enable the risks to be identified, assessed, reviewed and reported on.

#### 4.1.6 GP6 Legal Policy

Legal Policy is under development. The detail will appear here when approved.

## 4.2 Other Policies and Procedures

Other policies and procedures for key underlying functional / topical activities which are contained within supplementary guides/manuals.

Responsibility for maintaining these policies rests outside this manual including:

- Corporate [Financial Policies](#) key STFC financial policies held on the STFC Intranet
- [CEMs](#) terms under which the STFC employs its staff - Conditions of Employment Memoranda .
- [Programme & Project Management](#) Framework: principles of project management combined with effective oversight and control arrangements.
- [Procurement Policy](#) (under development) will set out the rules governing the requisition, acquisition and contracting for goods and services and how STFC interfaces with the SSC.
- The main source of SHE information for staff [Safety, Health & Environment](#) (SHE) containing master copies of key SHE management system documentation.
- [Information Management and Security](#) guides and Information System

Privacy and Security policy.

- [Change Management](#): Handbook & PACT tool to support the change programme.
- [Risk Management](#) - Risk Management Standard Operating Procedures (SOPs).
- [Shared Service Centre](#) related policies including Standard Operating Procedures (SOPS), Council Operating Procedures (COPS), Council Policies, Frequently Asked Questions (FAQ's), Forms and other useful information .

#### 4.2.1 Corporate Financial Policies

Corporate Financial Policies set out the rules governing the use of and accounting for financial resources. Responsibility for maintaining and communicating financial policy rests with Paul Blackford (Head of Financial Policy) on behalf of the Director of Finance. The key STFC actions are contained within financial policies held on the STFC Intranet.

#### 4.2.2 Conditions of Employment Memoranda

CEMs set out the terms under which the Science & Technology Facilities Council (STFC) employs its staff. CEMs include statements of STFC's employment and personnel management policies and provide additional guidance and information relating to the entitlements and obligations of staff. Responsibility for maintaining and communicating HR policy rests with Jerry Snewin (Head of HR Policy) on behalf of the Director of Corporate Services.

#### 4.2.3 Programme and Project Management

The **Programme & Project Management Framework** is integral to the effective delivery of the STFC's mission. At the programme level it ensures that the project portfolio is aligned to the organisation's objectives, is delivered efficiently and is sustainable. At the project level, it ensures that individual projects are appraised and managed effectively, and that progress through each project phase is controlled.

The framework is not a rigid application of a complex methodology, but the intelligent application of principles of project management combined with effective oversight and control arrangements to ensure that progress and performance can be tracked, controlled and evaluated throughout the project lifecycle.

Responsibility for maintaining and communicating this framework rests with Steve Quinton (Head of Specialism, Project Management) on behalf of the Chief Operating Officer.

#### **STFC Project Review Committee (PRC)**

PRC is a key component of the STFC project management and risk management frameworks. It receives regular reports on all business critical projects, typically on a monthly basis. It provides regular reports to Operations Board on the status of the major projects in STFC summarising key issues or risks identified within each project and the proposed mitigation action being taken in a "Traffic Light" report format.

The Committee Terms of Reference are:

- To meet monthly and report to Operations Board

- To monitor STFC's major or business critical projects, and maintain an STFC Project Register
- To maintain a list of major new opportunities, both internally and externally funded
- To maintain the STFC Project Management Framework

A Business Critical Project is typically deemed to be a project >£1M in value or is assessed as high risk to STFC within the guidelines set out in [SOP 3 – Risk Evaluation](#). It is the responsibility of the Project Sponsor to assess the business criticality of the project based on its risk and complexity and to include the project on the Corporate Risk Register. The [STFC Risk Management policy](#) and underlying Standard Operating Procedures (SOPs) provide guidelines to undertake this assessment.

#### 4.2.4 Procurement Policy

A **STFC Procurement Policy (under development)** will set out the rules governing the requisition, acquisition and contracting for goods and services and how STFC interfaces with the SSC. Responsibility for maintaining and communicating procurement policy rests with Gary Robbins (Head of Legal & Commercial Management) on behalf of the Legal Counsel & Director of CAD. The key STFC actions are contained within procurement policies held on the STFC Intranet

#### 4.2.5 Safety, Health & Environment (SHE)

SHE considerations are critical aspects of work undertaken by many STFC staff and others working at STFC sites.

Safety hazards range from civil construction, to biological safety through chemical, electrical and radiation hazards to name a few. The professional management of these hazards makes the STFC a safe place to work.

The SHE website is the STFC's main source of SHE information for staff containing master copies of key SHE management system documentation.

Responsibility for maintaining the SHE Management System rests with Graeme Finlan (Head of SHE Group) on behalf of the Director of Corporate Services. Responsibility for implementation and compliance of the standards contained therein rests with line management and individual staff.

#### 4.2.6 Information Management & Security

**Information Management and Security** resources form a guide that accompanies the formal Information System Privacy and Security policy.

#### 4.2.7 Change Management

Change Management - Project Management aspects of the Change Management Handbook meet the requirements of the STFC Project Management Framework and reference should be made to this framework for further information on project management techniques.

STFC's People and Change Tool (PACT) has been created to help manage major change projects.

The detailed project management methods employed within Departments, including Prince2, can be successfully applied within the requirements of the Change Management Handbook and PACT. Responsibility for maintaining and

communicating this framework rests with Steve Quinton (Head of Specialism, Project Management) on behalf of the Director of Corporate Services.

#### 4.2.8 Risk Management

##### Principles & Standard Operations Procedures (SOPs)

The risk management process consists of risk analysis and risk management activities. This process is established through the Risk Management Policy and Strategy which is the first in a series of Risk Management Standard Operating Procedures (SOPs).

Responsibility for maintaining and communicating this framework rests with the Head of Governance on behalf of the Director of Finance.

Standard Operations Procedures (SOPs) will be established as listed below.

**SOP 1 – Risk Policy/Strategy** - *approved, currently being reviewed and updated (July 2010).* [Risk Management Policy](#)

**SOP 2 – Risk Identification** - *currently being drafted (July 2010)*

**SOP 3 – Risk Evaluation** - *approved, currently being reviewed and updated (July 2010).*

**SOP 4 – Risk Ownership** - *currently being drafted (July 2010)*

**SOP 5 – Risk Mitigation** - *currently being drafted (July 2010)*

**SOP 6 – Risk Action Plan** - *currently being drafted (July 2010)*

**SOP 7 – Risk Reporting** - *currently being drafted (July 2010)*

**SOP 8 – Risk Appetite** - *approved, currently being reviewed and updated (July 2010).* see: [RiskAppetite](#)

#### 4.2.9 Shared Service Centre (SSC)

SSC related policies are contained on the SSC Service Delivery Knowledge Base. This is a reference site for each functional area of the SSC. These areas will continue to have more information added as each new service comes on stream. The content is intended to act as a reference point for your interaction with the SSC. This is where you can find Standard Operating Procedures (SOPS), Council Operating Procedures (COPS), Council Policies, Frequently Asked Questions (FAQ's), Forms and other useful information.

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## 5 Our Stewardship

### *Purpose*

The means by which we gain assurance about the efficiency and effectiveness of the activities described in the foregoing sections of the Manual.

While granting staff relevant authorities through the [Scheme of Delegation](#) they are required to use their best endeavours to achieve those objectives assigned to them. It is emphasised that whilst they may be held to account for their

actions, their superiors and ultimately the CEO remains accountable. Therefore, staff are required to keep the line management chain fully and regularly informed on all relevant and material activities and those functions under their control.

### **Overview**

As part of the STFC approach to corporate governance STFC has established, and continues to improve a range of activities to enable the Chief Executive, Council and Audit Committee to exercise sound governance and establish internal control over its operations. Thus STFC is in receipt of a range of **integrated assurance** mechanisms aligned to control and risk management activities. The outcome of this process is:

- an evaluated opinion on the organisation's governance, risk management and internal control framework with particular reference to the achievement of objectives and targets. This is based on evidence gained from the work of a range of assurance providers (both internal and external),
- a coherent approach to corporate governance, and
- an increased potential that departments programmes and projects will deliver what they are intended to.

The Chief Executive as Accounting Officer and Council are the major recipients of assurance and has responsibilities for:

- Maintaining a sound system of internal control that accords with Treasury guidance and supports the achievement of policies; aims and objectives; and
- Safeguarding public funds and departmental assets.

The **Audit Committee** has a responsibility to support the Accounting Officer and Council by reviewing the range of assurances and reviewing the reliability and integrity of these assurances. They act as the key filter through which assurances are provided to the Accounting Officer.

(Senior) **managers** need assurance about performance, control, risk and governance for their span of responsibility. As part of this assurance framework all senior directors are required to provide their own 'Stewardship Statement' on the control of activities in their area of responsibility.

**All staff** should gain sufficient assurance about the adequacy of the way in which they are managing risk in the work that they undertake.

This stewardship framework is described in an 'Assurance Map' and is built on two types of assurances: 1. management; and 2. independent assurance. The outcome of the stewardship framework culminates in:

- the Statement on Internal Control (SIC) which is a component part of the STFC Annual Report and Accounts; and
- an STFC Stewardship Action Plan setting out the key actions identified as part of the stewardship review process. The delivery of this action plan is overseen by Executive Board.

## 5.1 Accounting

Under Section 2(2) of the Science and Technology Act 1965 the Council is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Business, Innovation, and Science with the consent of the Treasury.

STFC's financial year runs from 1 April to 31 March.

The Annual Accounts should contain:-

- Statutory basis of the Council;
- Management Commentary
- Remuneration report
- Statement of the Responsibilities of the Science and Technology Facilities Council and of its Chief Executive
- Statement on Internal Control
- the Certificate and report of the Comptroller and Auditor General to the Houses of Parliament;
- an income and expenditure account;
- a balance sheet;
- a cash flow statement;
- a statement of total recognised gains and losses; and
- notes to the financial statements.

The Management Commentary, Statement on Internal Control and the Balance Sheet must be signed and dated by STFC's Accounting Officer, the Chief Executive, before it is submitted to the Comptroller and Auditor General for certification.

The Accounts must be prepared in accordance with the requirements of the Accounts Direction issued by the Secretary of State for Business, Innovation, and Science. This direction is codified in the Financial Reporting Manual (the FReM) which is updated from time to time.

The 2007 Budget announced that, from 2008-09, the accounts of central government departments and entities in the wider public sector will be produced using International Financial Reporting Standards (IFRS), as interpreted for the public sector in the IFRS-based Financial Reporting Manual (FReM). While full implementation has been deferred until 1 April 2009, departments and other entities are required to produce "shadow" financial statements for 2008-09 using IFRS.

Without limiting the information contained in the Accounts Direction the Accounts must also meet the requirements of:

- [Managing Public Money](#)
- [The Companies Act 2006](#)
- All Treasury guidance which has been issued regarding the production of the Accounts;
- The Treasury booklet "Trading Accounts: A Guide for Government Departments and Non-Departmental Public Bodies" (available from HMT); and
- Any additional disclosure requirements contained in "The Fees and

## Charges Guide".

Although STFC is required to comply with the Companies Acts and best commercial accounting practice, Treasury guidance will always take precedence. At all times the over-riding requirement is that the Accounts provide a true and fair view of the state of affairs and financial position of STFC for the period reported on.

The National Audit Office (NAO ) are STFC external auditors responsible for certification of our annual accounts. The Comptroller and Auditor General (C&AG), with the support of the NAO, plays a key role in the accountability cycle for public sector finances. The NAO audits central government accounts and reports to Parliament on the value for money achieved by government projects and programmes.

Details of STFC Accounting arrangements are contained in the Corporate Financial Policies

## 5.2 Risk Management - An Overview

### Overview

Facilitating great science and developing world leading technology are the goals of the STFC; without taking risks STFC will not achieve its goals. The identification and analysis of risk is inherent in what STFC does. In some activities, such as health and safety, our appetite for risk is rightly minimal, but in many activities, where the potential rewards are highly desirable our attitude may be more considered.

Risk is defined as:

“the uncertainty of outcome, whether positive opportunity or negative threat, of actions and events.”

Risk Management in STFC is the systematic, positive identification and treatment of risks that threaten the Council’s objectives or causes beneficial opportunities to be missed.

### Risk Management Policy ([link to full policy document](#))

The effective management of risk helps STFC achieves its goals. To that end STFC’s policy is to:

- a. manage risk actively across the full breadth of STFC’s work;
- b. devolve responsibility for risk management to the most appropriate level and locality within STFC;
- c. integrate risk management with planning and budgeting to ensure that risks are taken fully into account in strategic investment decisions;
- d. encourage a risk-aware, risk-enabled approach to working;
- e. provide guidance and training on the tools and techniques of risk assessment and risk management;
- f. establish appropriate assurance and monitoring mechanisms;

- g. continue to develop risk management policy and good practice; and
- h. actively monitor and regularly review risks on a constructive 'no blame' basis, and communicate clearly any subsequent actions required.

### Corporate Risk Register (CRR)

The STFC CRR is coordinated by the Governance Team within Finance Directorate and is maintained on the Corporate Governance Sharepoint site (restricted access). The development of risk management and risk reviews is supported by the [Risk Assurance Group \(RAG\)](#). The CRR is subject to quarterly review:

- Q1 & Q3 - informal reviews where risks are updated by exception;
- Q2 & Q4 - formal review and sign off of each corporate risk by risk owners as part of STFC's Stewardship process.

Each Directorate/ Department and Business Critical Project is required to maintain a risk register to inform the Corporate Risk Register. These registers are copied to the Corporate Governance Sharepoint site quarterly.

### Risk Management Integrated Framework

Risk management policies and principles (risk assessment, mitigation and reporting) must be embedded within planning and reporting systems to inform decision making and oversee performance. See [Figure 1](#) below. It must be applied routinely at all levels in the staffing and board structure. This is at both the strategic level (e.g. formulating long and medium term plans) and at the operational level (e.g. managing delivery of operational plans, including projects and facilities).

Figure 1



## 5.3 Audit Committee - an overview

### Introduction

STFC has a responsibility to maintain high standards of corporate governance at all times, including making use of an independent Audit Committee to help to address the key financial and other risks facing the Council.

The STFC has established an Audit Committee as a sub-Committee of Council, to support them in their responsibilities for issues of risk, control, governance and associated assurance by:

- Reviewing the comprehensiveness of assurances in meeting the Council / Accounting Officer's assurance needs;
- Reviewing the reliability and integrity of these assurances;
- Providing an opinion on how well the Council and Accounting Officer are supported in decision making and in discharging their accountability obligations (particularly in respect of Financial Reporting).

The Committee acts in an advisory capacity and has no executive powers.

The Chief Executive as Accounting Officer has responsibility under the terms of the [Management Statement](#) for the effective, safe and efficient operation of the Council through the establishment and maintenance of reasonable internal controls, and will take into account the advice of the Audit Committee as appropriate.

### Membership

The Council appoints members to the Committee. A quorum shall consist of two members, one of whom must be a non-executive Council Member who shall act as Chairman.

All members are subject to periodic performance appraisal by the Audit Committee Chair. The Audit Committee Chair is subject to appraisal by the STFC Council Chair.

Members are appointed for 3 years. Current membership is:

Marshall Davies	Council Member and Audit Committee Chair
Mrs Gill Ball	Council Member
Dr Derek Chadwick	Independent Member
Mr Ric Piper	Independent Member
Mr Rob Low	Independent Member

### Authority

The Committee is authorised by the Council to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

### Reporting

The Audit Committee reports to Council after each meeting, such report to include the Minutes.

### Responsibilities

Members of the Audit Committee, both individually and collectively, must avoid accepting responsibilities which might impede its independence and the objectivity with which it advises Council. All members are required to declare any conflicts of interest at each meeting.

### Meetings

The Audit Committee meets at least twice a year. The Chairman of the Audit Committee is responsible for convening meetings and may convene additional meetings, as deemed necessary.

Audit Committee meetings will normally be attended by the Chief Executive as Accounting Officer, the Finance Director, the Director of Internal Audit, and a representative of the National Audit Office (External Audit).

## 5.4 Management Assurance

The primary responsibility for providing assurance on the adequacy of risk management and internal control rests with the Executive management.

Management has put in place the framework to ensure they have the necessary evidence to satisfy themselves as to the efficiency and effectiveness of the internal control framework and to provide the required level of assurance to the Council and Executive Board via the Audit Committee.

This includes:

- specific assurance statements from each senior director (“Stewardship reports”);
- management commissioned internal reviews; and
- ongoing internal reporting through the management/ committee structure (e.g. SHE reviews; RAG reviews; Project Traffic Light Reports).

This internal management assurance is auditable and may be quality assured periodically by review from Internal Audit.

### 5.4.1 Director Stewardship Returns

Directors are required to comply with, and to ensure that all staff within their Directorate comply with, all formally issued STFC corporate policies, processes, instructions and guidelines. In some cases these exist to ensure that STFC complies with legislation (for example safety, employment, data protection, freedom of information, environmental protection etc...), whilst in others they ensure that STFC as a whole operates in a coherent and consistent manner in respect of its internal and external stakeholders.

To this end all senior directors (Executive Board and Operations Board) are required to provide a ‘Stewardship Return’ in September and March each year assessing internal control and risk management activities in their sphere of responsibility. see: [Stewardship Template](#)

Each Director is required to assess and report on the quality of control paying due consideration to:

- **Corporate Internal Control:** The quality of control at a corporate level in the context of their corporate responsibilities and the quality of corporate controls that they rely upon to fulfil their operational responsibilities; and
- **Operational Internal Control:** the quality of controls they have established to complement /supplement the established corporate controls.

It is at the discretion of individual Directors how far they cascade these stewardship principles through their management chain.

These requirements are facilitated by an Operations Board workshop and quarterly risk reviews conducted through the Risk Assurance Group (RAG).

#### 5.4.2 Traffic Light Reports (TLRs)

STFC Departments or Directorates must maintain registers of New Opportunities and active Projects and there must be internal processes in place for their regular review. The STFC Framework for [Managing Change](#) Projects sets out the requirements for Corporate and Department Change Agendas. The major change projects affecting STFC/ Directorates should be a component part of this review process.

The STFC Project Review Committee maintains an additional Project Register (TLR) of high risk projects which it regularly reviews and reports on to Operations Board. It is through this route that project risks will be escalated to the Corporate Risk Register.

TLRs are routinely provided for all major projects. This process is operated in tandem with the Oversight Committee review process which provides independent scientific, technical and management advice to the Project Sponsor. This particular mechanism is often used by the SPO for collaborative or international projects where project management lead responsibility may lie outside SPO or even STFC.

#### 5.4.3 Risk Management Reviews

##### Corporate Risk Register (CRR)

The STFC CRR is coordinated by the Governance Team within Finance Directorate and is maintained on the Corporate Governance Sharepoint site. The CRR is subject to quarterly review:

- Q1 & Q3 - informal reviews where risks are updated by exception;
- Q2 & Q4 - formal review and sign off of each corporate risk by risk owners as part of STFC's Stewardship process.

Each Directorate/ Department and Business Critical Project is required to maintain sub-ordinate risk registers to inform the Corporate Risk Register. These

registers are copied to the Corporate Governance Sharepoint site quarterly. Each Directorate/ Department has a nominated representative on RAG who is responsible for liaising between Corporate and operational risk activities.

### Assurance

The Chief Executive as Accounting Officer and Council are the major recipients of assurance and has responsibilities for:

- Maintaining a sound system of internal control that accords with Treasury guidance and supports the achievement of policies; aims and objectives; and
- Safeguarding public funds and departmental assets.

The **Audit Committee** has a responsibility to support the Accounting Officer and Council by reviewing the range of assurances and reviewing the reliability and integrity of these assurances. They act as the key filter through which assurances are provided to the Accounting Officer.

(Senior) **managers** need assurance about performance, control, risk and governance for their span of responsibility. As part of this assurance framework all senior directors are required to provide their own 'Stewardship Statement' on the control of activities in their area of responsibility.

**All staff** should gain sufficient assurance about the adequacy of the way in which they are managing risk in the work that they undertake.

### Risk Reporting

Risk reporting is a key component of the assurance framework. A sound reporting framework allows STFC to monitor all the risks pertaining to its portfolio (e.g., strategic, operational and project) and intervene if necessary, as well as ensure that all decision makers have the intelligence needed to determine the appropriate course of action on the daily basis.

Risk reporting is delivered through two key components (see Figure 2 above):

- (1) embedding risk issues within operational reporting mechanisms (inc: Directorate Review meetings, Project Reviews and Traffic Light Reporting); and
- (2) Stewardship reporting (inc: RAG reviews, Director Stewardship returns and RCIAS). The issues falling out from embedded operational reporting will inform the risk assurance reviews and ultimately be reflected in the reporting chains through Operations Board to Audit Committee and Executive Board.

#### 5.4.4 Safety, Health and Environment

The STFC Safety, Health And Environmental (SHE) Committee is responsible for monitoring the capability and performance of the SHE Management System to fulfil the aims set out in the SHE Policy and its objective of continuous improvement in SHE performance.

The STFC SHE Committee oversees and reports to the STFC Executive Board on

SHE matters.

In parallel the committee maintains close links with the STFC Operations Board and provides quarterly reports to the STFC Audit Committee.

In addition a SHE audit programme has been established and is provided with additional review time through the RCIAS audit programme.

#### 5.4.5 Security Policy Framework (SPF)

##### STFC Overarching Security Policy Statement

Protective Security, including physical, personnel and information security, is an essential enabler to making government work better. Security risks must be managed effectively, collectively and proportionately, to achieve a secure and confident working environment.

##### Core Security Principles

1. Ultimate responsibility for STFC security policy lies with the Chief Executive supported by the Senior Information Risk Owner (SIRO) - Director CSD. The Chief Executive must manage security risks within the parameters set out in the [Cabinet Office Security Policy Framework \(SPF\)](#).
2. All employees (including contractors) have a collective responsibility to ensure that government assets (information, property and staff) are protected in a proportionate manner from terrorist attack, and other illegal or malicious activity.
3. Departments and Agencies must be able to share information (including personal data) confidently knowing it is reliable, accessible and protected to agreed standards.
4. Departments and Agencies must employ staff (and contractors) in whom they can have confidence and whose identities are assured.
5. STFC business needs to be resilient in the face of major disruptive events, with plans in place to minimise damage and rapidly recover capabilities.

##### SPF Security policies

There are seven security policies in the SPF framework:

1. Governance, Risk Management and Compliance
2. Protective Marking and Asset Control
3. Personnel Security
4. Information Security and Assurance
5. Physical Security
6. Counter-Terrorism
7. Business Continuity

#### 5.4.7 Recommendation Follow Up

The STFC Stewardship Framework and Assurance Map highlight a number of Management and Independent Reviews. These reviews represent an integrated assurance framework aligned to risk management activities. Key to the effectiveness of the stewardship framework is that the output from these assurance mechanisms is that agreed recommendations should be acted upon in a timely manner and assurance is gained on this implementation in turn.

In STFC the Governance Team is responsible for collating information on the implementation of recommendations. The Governance Team will seek updates on progress against recommendations on a 6-monthly basis in line with Stewardship reporting. The output from this process will be incorporated into Stewardship Reports to Audit Committee; Operations Board and Executive Board.

These follow up arrangements are subject to review by RCIAS within the scope of Corporate Governance audits.

## 5.5 Independent Assurance

Independent assurance validates management assurance and this is primarily provided by the **Research Councils' Internal Audit Service (RCIAS)**, with further material assurance taken from the work of the **National Audit Office (NAO)**.

The full range of independent assurances received will be reflected in the STFC Assurance Map maintained in support of the audit programme and underpinning the Statement on Internal Control.

Other independent sources of assurance include:

- Select Committee Reports: Independent reviews carried out on behalf of parliament;
- Organisational Review;
- regulatory authority inspections & reports (e.g. HSE);
- external Gateway Reviews;
- external Quality Audits (e.g. liP); and
- External Consultancies: management commissioned independent consultancies.

### 5.5.1 Research Councils Internal Audit Service

#### Background

The definition of Internal Audit in the "[Government Internal Audit Standards](#)" (GIAS) specifies that Internal Audit "provides an independent and objective opinion to the Accounting Officer on risk management, control and governance". This opinion will normally take the form of a narrative summarising relevant strengths and weaknesses and their implications. In developing the audit strategy and conducting assignments the Director of Internal Audit strives to deliver a programme of reviews that support a considered opinion on the adequacy of governance, risk and control arrangements and to add value to the risk, control and governance of their organisation even if the audit product is less than the optimum because of given circumstances.

Internal Audit is a key source of assurance within the overall STFC integrated

assurance framework as reflected in the STFC Assurance Map. It is the responsibility of the STFC Audit Committee to ensure that the overall assurance arrangements, across the full range of provision, are adequate.

STFC internal audit is provided by the Research Councils' Internal Audit Service (RCIAS). RCIAS is a cross-council service hosted by BBSRC and supervised by the Internal Audit Supervisory Board (IASB). RCIAS has a right of access to the Chief Executive and reports to the STFC Audit Committee. STFC liaison and engagement with RCIAS is managed by the 'Head of Governance' and the 'Governance Manager – Assurance'.

### 5.5.1.1 RCIAS Introduction

STFC (Executive & Audit Committee) and RCIAS have established these rules:

- To support and facilitate the DIA RCIAS in making the best possible efforts to add value to the risk, control and governance of STFC;
- To ensure appropriate and responsible engagement between STFC executive and RCIAS in the development, conduct and response to the internal audit programme;
- To optimise the contribution of the internal audit programme to the STFC assurance framework; and
- To establish the rights, roles and responsibilities of key parties involved in the assurance framework.

In addition these rules establish the ways in which internal audit will conduct and communicate the results of its work.

### 5.5.1.2 Audit Programme

#### Programme development and approval

GIAS Standard 1 (Scope), sets out the need for that opinion to be of a "nature specified by the Accounting Officer" (1.1.1h) and to include "all its operations, resources, services and responsibility for other bodies" (1.1.1g) in the scope of consideration of specific audit work which needs to be done to deliver that opinion. Standard 6, at 6.1.1, notes that the "Head of Internal Audit's opinions are a key element of the framework of assurance the Accounting Officer needs to inform their completion of the annual Statement on Internal Control". The overall opinion expressed by RCIAS and individual assignment reports are critical elements within the STFC Assurance Map that underpins the STFC Statement on Internal Control (SIC).

In STFC, the programme is developed in consultation between RCIAS and STFC management (including Risk Assurance Group; Operations Board and Executive Board) and endorsed by the Director of Finance prior to submission to Audit Committee for approval and Council for information. The programme should be agreed in January in the financial year prior to its application.

Consistent with the [GIAS Good Practice Guide – Audit Strategy](#) Audit Committee requires the documented audit strategy to set out:

- The extent to which internal audit is able to rely on STFC's risk

analysis;

- The elements of the risk analysis which are regarded as essential for annual review in order to provide a positive, reasonable assurance to underpin the SIC;
- The further coverage of the risk analysis which is necessary to provide a positive reasonable assurance and to meet the specified assurance requirements of the Accounting Officer and the Audit Committee;
- The areas of change in the organisation which are being subjected to audit;
- How and to what extent, internal audit will seek to rely on other assurance work to develop the audit opinion;
- The range of approaches which internal audit plans to deploy;
- The key ways in which internal audit will communicate the results of its work;
- The assessment of resources (financial and other) required to deliver the audit assurance, including identification of specialist skills which may be required;
- The way in which internal audit and specialist resources will be procured;
- The approach to recruiting / training / continuing professional development of internal audit staff to ensure that they are suitably skilled to deliver the internal audit service;
- How the internal audit service will measure its performance, Quality Assure itself, and seek continuous improvement; and
- Risks which the audit unit itself faces in delivering the strategy and plans for controlling these risks.

The resulting programme should be:

- Aligned to the STFC Corporate Risk Register;
- Cognisant of the major changes and business critical projects ongoing;
- Informed by outcomes of previous audit programmes and other review activities;
- Informed by the key issues being dealt with by STFC as reflected in meetings of Council, Audit Committee, EB and Ops Board; and
- Cognisant of common/ emerging issues from the wider business environment.

The programme should be structured around 4 components:

1. Key Business Processes: these are the processes reported against in the Organisational Review and embedded in the STFC risk management and stewardship frameworks.
2. Themed Reviews/ Business Critical Projects: to ensure that assurance requirements are considered for major initiatives/ projects.
3. Probity Reviews/ Health checks – an annual health check audit should be included to ensure probity/ regularity issues have some attention.

This review will primarily focus on financial processes to ensure completeness and accuracy of transactions and compliance with laid down procedures.

4. Audit Management – activities and associated resources (including bought in specialist services) relating to management of the audit programme.

The Audit Programme should be communicated to Audit Sponsors in March prior to the financial year of application. The audit timetable should schedule:

- completion of all fieldwork by 31st March;
- issue of draft reports by 1st week of April;
- clearance of all assignment reports by 1st week of May; and
- submission of RCIAS Annual report by end of May.

### 5.5.1.3 Audit Assignment Planning

Each audit has been assigned a STFC Audit Sponsor. All audits in STFC will have a named sponsor at Director Level. Audit Sponsors should nominate a Lead Contact for an assignment but remain responsible for:

- agreeing the audit scope and output;
- responding to the draft report; and
- ensuring agreed actions/recommendations are carried out post audit.

Initial scopes for individual assignments are set down as part of the programme approval. These scopes are indicative and should form the basis of an opening meeting with the Audit Sponsor, Head of Governance and key contacts when audits are initiated. The purpose of this meeting is to agree the 'Opening Statement' including:

- system/project objectives,
- risks,
- scope; and
- approach (timing, contacts, resourcing).

Additional planning work should also be carried out to gather further background information for each audit topic to inform and develop the opening statement including:

- Background – establishing the context of the system (including strategic relevance, system objectives, risks, value/volume of transactions, changing business environment);
- Legal/regulatory framework;
- Organisational structure/ roles and responsibilities - including split between corporate and local delivery (e.g. delegated authority);
- Policy and procedural framework;
- Assurance/ Performance framework – identify systems for monitoring performance or gaining assurance on application of specified controls;

and

- Identify output from other sources of assurance such as NAO, OGC Gateway, etc...

Particular attention should be paid to an assessment of the completeness and effectiveness of communicating corporate policies and procedures and the collation of corporate management information. Where individual assignments require rolling out from corporate systems into individual operational areas (e.g. Risk Management; Health & Safety) this should be reflected in the opening statement and key contacts identified and informed.

Where the resources in the indicative plan are insufficient to meet the agreed scope a discussion should be held with the STFC Head of Governance Unit and the Director of Finance to discuss the way forward. Where appropriate, the Audit Committee will be consulted.

#### 5.5.1.4 Fieldwork

Day-to-day engagement will be between the auditor and the STFC Lead Contact as appropriate and within the approach agreed in the 'Opening Statement'. Any potential issues arising during the course of the fieldwork should be discussed with Lead Contact as they arise. A key principle overriding this reporting process, is that any significant matters (Category 1) identified during the course of these reviews will be brought to the attention of the Audit Sponsor immediately. The STFC Lead Contact should keep the Head of Governance informed as appropriate.

The primary focus of individual assignments will be to:

- Assess the completeness of the established control environment;
- Confirm local knowledge/understanding of corporate standards;
- Assess compliance with corporate and local standards;
- Assess implementation of previous audit recommendations;
- Provide an opinion on the overall effectiveness of controls; and
- Make recommendations for improvement.

At the conclusion of each assignment key contacts will be provided with informal feedback on the evolving findings of the audit. After each assignment RCIAS will review audit working papers and where appropriate follow up any overarching issues with the Audit Sponsor. A formal wash-up should be scheduled with the Audit Sponsor within 5 working days of the planned completion date of fieldwork.

#### 5.5.1.5 Assignment Reporting

An audit report will be produced for each assignment in the audit programme. This report will provide an assessment of the corporate oversight of the system in question and any issues of non-compliance/ weakness identified from testing and reviews at an operational level. The reporting process should start with a face-to-face discussion of the issues supported by formal reporting as set out in the following paragraphs.

At the end of fieldwork a wash-up meeting should be held between STFC (Audit

Sponsor & Lead Contact) and RCIAS within 5 working days of completion of fieldwork. The purpose of this meeting is for RCIAS to provide feedback on their conclusions. The STFC Sponsor should consider the accuracy and validity of audit conclusions and agree appropriate actions (including engagement with other all impacted parties within STFC).

Draft Report: RCIAS should submit a 'Formal Draft Report' to the Audit Sponsor, copied to the Head of Governance within 5 working days of the wash-up meeting. The report should include an appendix which sets out:

- The skills and experience of the auditors;
- Why these are appropriate to the specific audit; and
- How any gaps have been addressed.

The Audit Sponsor should submit a proposed management response to the Head of Governance within 10 working days of the RCIAS issue date. In formulating this response the Audit Sponsor should ensure appropriate STFC consultation. The executive Summary should include an overall STFC Summary Management Response (setting out management's position on the overall conclusions drawn and intended actions) and responses to individual RCIAS recommendations contained within the summary .

The protocols established by STFC require a Sponsor for each review in the assurance framework whether it is an internal management review or an independent review (e.g. RCIAS). It is the responsibility of the Sponsor to provide an appropriate response to individual reports including the overall conclusion and associated recommendations and initiate actions to deliver the agreed recommendations. It is also incumbent upon the sponsor to exercise judgement as to whether the conclusions drawn from individual reviews warrant escalation to Executive Board. This escalation may be due to the high profile of the subject area, the degree of criticism reflected in the report or cross-cutting nature of the subject area. In addition Executive Board and/or Operations Board may request that individual reviews are subject to their sign off or reports are automatically copied to them.

The Head of Governance will co-ordinate the STFC response ensuring:

- response deadlines are met or in exceptional circumstances extensions are agreed if further discussion is required;
- all STFC parties impacted by the report are aware of their responsibilities, particularly where a response/ comment or action is required outside the Sponsor's area of responsibility;
- the reasonableness of the STFC response, most notably rejection of recommendations and reasonableness of target dates for recommendations; and
- Formal submission to RCIAS of the STFC response to the draft report.

RCIAS will address the Final Report to the Audit Sponsor, copied to the Lead Contact and Governance Team.

The Governance Team will distribute the report as follows:

- All action owners,
- Audit Committee Chair,
- Chief Executive,
- Chief Operating Officer,
- Director of Finance,
- NAO, and
- Audit Committee members.

The Audit Sponsor is responsible for communicating the agreed recommendations to the appropriate parties and overseeing their timely implementation.

The Head of Governance will co-ordinate completion of the RCIAS Audit Satisfaction Questionnaire in consultation with Audit Sponsor, Lead Contact and Director of Finance.

The STFC Governance Team will maintain a record of all agreed recommendations and follow up progress on their implementation.

RCIAS will periodically review the STFC follow up process and routinely incorporate follow up of audit recommendations in future assignments that revisit systems previously reviewed.

NB the Head of Governance should be contacted where difficulty occurs in meeting agreed time lines.

### 5.5.1.6 Mid Year Assurance

#### Mid-year Assurance

RCIAS will provide an interim corporate summary report (Mid-Year assurance) at the scheduled autumn Audit Committee meeting which will be submitted alongside the STFC Stewardship report.

This report will:

- provide an **interim** opinion based on work completed to the end of August;
- highlight key issues identified from reviews to date;
- report on progress against the agreed audit programme;
- reassess the continued relevance of the agreed audit programme and recommend changes as appropriate.

All matters raised in this report will be discussed with the relevant Audit Sponsor and the STFC Director of Finance before submission to the autumn Audit Committee meeting.

### 5.5.1.7 Annual Audit Report

Based on the evidence from the assignment reports an Annual Audit Report will be produced expressing the Director of Internal Audit's overall opinion on the governance, risk and control frameworks in place. This report is a critical support mechanism for the Chief Executive's Statement on Internal Control.

This report will:

- provide an opinion based on work completed;
- highlight key issues identified from reviews carried out;
- report to what extent, internal audit rely on other assurance work to develop the audit opinion;
- report on progress against the agreed audit programme;
- advise on future audit and management priorities.

All matters raised in this report will be discussed with the relevant Audit Sponsor and the STFC Director of Finance before submission to the Audit Committee.

This report will normally be produced by the end of May unless otherwise agreed with Audit Committee.

### 5.5.1.8 Audit Liaison

## RCIAS/STFC Link Officer

Two members of staff within RCIAS are responsible for overseeing the delivery of the STFC audit programme, these are:

- o RCIAS Audit Manager, and
- o RCIAS/STFC Link Officer.

Similarly within STFC the RCIAS liaison role is fulfilled by the Head of the Governance Unit and the Governance Manager – Assurance who should receive copies of all opening statements and draft reports.

Quarterly liaison meetings will be held between STFC Governance and RCIAS. The Director of Finance will attend at 6-monthly intervals. More frequent meetings may occur as circumstance dictates.

### 5.6.2 National Audit Office

[The National Audit Office \(NAO\)](#) are STFC external auditors responsible for certification of our annual accounts. The Comptroller and Auditor General (C&AG), with the support of the NAO, plays a key role in the accountability cycle for public sector finances. The NAO audits central government accounts and reports to Parliament on the value for money achieved by government projects and programmes. The 2007 Budget announced that, from 2008-09, the accounts of central government departments and entities in the wider public sector will be produced using International Financial Reporting Standards (IFRS), as interpreted for the public sector in the IFRS-based Financial Reporting Manual (FRoM). While full implementation has been deferred until 1 April 2009, departments and other entities are required to produce “shadow” financial statements for 2008-09 using IFRS.

#### Role

The role of the National Audit Office is to:

- Audit the accounts of all government departments and agencies as well as a wide range of other public bodies
- Report to Parliament on the economy, efficiency and effectiveness with which these bodies have used public money.

The Audit and inspection rights are vested in the head of the National Audit Office, the Comptroller and Auditor General (C&AG). The staff of the National Audit Office carry out these tasks on his behalf.

#### Parliament, the public sector and the citizen

The NAO:

- holds government and the departments to which it votes money to account for the way they use public money.
- Supports public finance, by helping public service managers improve performance.
- safeguards the interests of citizens who as taxpayers are responsible for paying for public services.
- champions the interests of citizens as users of public services.

#### Independence

### The Comptroller and Auditor General:

- is an Officer of the House of Commons, appointed by the Queen on an address proposed by the Prime Minister with the agreement of the Chairman of the Committee of Public Accounts and approved by the House of Commons.
- appoints professional staff of the NAO who are not civil servants and therefore independent of government.
- and the NAO have comprehensive statutory rights of access to the bodies they audit.
- Has a budget set by Parliament, not the Government of the day. About a fifth of this budget comes from income generated, including audit fees paid by our international clients.
- Oversight of the NAO is carried out by the Parliamentary Public Accounts Commission who appoint external auditors and scrutinise performance.

## 5.6 STFC Sponsors Charter

The protocols established by STFC require a Sponsor for each review in the assurance framework whether it is an internal management review or an independent review (e.g. RCIAS).

### ***What is a Sponsor?***

The Sponsor is the person responsible for the performance or output of the business processes being reviewed and should have an understanding and visibility of any associated business risks.

The Sponsor should be at a Director senior management level and is the immediate client for whom the review is undertaken and to whom the closing presentation and report will be primarily directed.

This level of seniority ensures a sufficiently broad perspective of issues and risks to focus the review activity. The sponsor should also be an individual with the authority necessary to implement recommendations. His/her sponsorship explicitly demonstrates senior management commitment to the review process.

Once the objectives and scope have been agreed with the Sponsor, the assignment is carried out on their behalf. In return, the Sponsor is responsible for appropriate management of the assignment and, in this capacity, acts on behalf of the Audit Committee ("AC") to ensure that:

- the assignment is precisely defined and the identified risks are addressed;
- the desired assignment objectives are stated;
- unavailability of key staff does not unnecessarily delay the process;
- time scales are adhered to;
- guidance, support and direction is given, as necessary, to the review team;
- an appropriate response is provided to individual reports, including the overall conclusion and associated recommendations; and
- initiate actions to deliver the agreed recommendations.

### ***What does the Sponsor do?***

The Sponsor has a role in the development of the review plan and will be

required to identify items to be considered for inclusion in the programme. Once formally agreed by the AC, the Sponsor will determine the parameter(s) within which the review is to be conducted.

The Sponsor provides the interface between assignment ownership and delivery, acting as a single point of contact for the Review Manager and the Team Leader. However, (s)he may not wish to be involved on a day-to-day basis during the conduct of an assignment, so may wish to appoint a delegate to act as the focal point for both the business area and the review team.

It is also incumbent upon the sponsor to exercise judgement as to whether the conclusions drawn from individual reviews warrant escalation to Executive Board. This escalation may be due to the high profile of the subject area, the degree of criticism reflected in the report or cross-cutting nature of the subject area. In addition Executive Board and/or Operations Board may request that individual reviews are subject to their sign off or reports are automatically copied to them.

The Sponsor will be requested to formally agree the Terms of Reference (Opening Statement) for the assignment (risks, scope and objectives), take part in the opening and closing meetings. Once the recommendations have been agreed and the final report has been issued, (s)he will be asked for feedback on the outcome and for any proposals as to how Reviewer may improve the review process.

Activity	Sponsors' Expectations from Reviewer	STFC Expectations from the Sponsor
During Planning	<ul style="list-style-type: none"> <li>• Consultation on all aspects of the assignment;</li> <li>• Assistance in identifying and assessing key business risks.</li> <li>• Agreement on the key dates and the method by which the assignment outcome will be reported.</li> </ul>	<ul style="list-style-type: none"> <li>• Constructive engagement with Head of Governance and Reviewer, including early availability to discuss, and formally agree, scope and objectives.</li> <li>• Input to identification of areas of specialist expertise which Reviewer may require in conducting the assignment.</li> <li>• Agreement to level of resources which Reviewer may require for the review. Where appropriate, the Sponsor may wish to loan or second staff to the assignment.</li> <li>• Nomination of an appropriate lead Contact, with whom Reviewer may liaise on a</li> </ul>

		<p>more regular basis during the assignment.</p> <ul style="list-style-type: none"> <li>• Identification of the key issues to be addressed during the assignment.</li> <li>• Indication of how Reviewer may add value to the Sponsor's area of operation.</li> <li>• Notification of the review to his/her staff.</li> </ul>
<b>During Fieldwork and Evaluation</b>	<ul style="list-style-type: none"> <li>• A participative, "no surprises" approach.</li> <li>• The opportunity to discuss possible changes to scope and/or objectives where early findings indicate that this is necessary.</li> <li>• Updates on significant matters being communicated in a timely manner. The periodicity and nature of such updates can be agreed with the Sponsor at the start of the assignment.</li> <li>• Input from relevant specialists.</li> </ul>	<ul style="list-style-type: none"> <li>• Access (as agreed at the planning stage) to the Sponsor to raise and discuss significant issues arising.</li> <li>• Support, and, if necessary, intervention, in facilitating Reviewer' efforts to complete the assignment (e.g. in gaining access to, or dealing with, busy key staff).</li> </ul>
<b>Reporting</b>	<ul style="list-style-type: none"> <li>• A closing meeting and a report, in the format agreed at the outset, produced within a defined period following the closing meeting.</li> <li>• A report focusing on the adequacy and effectiveness of internal controls to manage risk, covering the scope and objectives agreed for the assignment.</li> <li>• A report containing no surprises.</li> </ul>	<ul style="list-style-type: none"> <li>• Early availability to hold a closing meeting at the completion of fieldwork. Dates agreed at the planning stage should, as far as possible, be observed.</li> <li>• Internal Engagement with Executive Board or other Directors/ forum as appropriate.</li> <li>• Formal Management response within 20 working days of draft report (submitted through Head of Governance) and sign-off final report.</li> <li>• Completion and return of a "Review Effectiveness Questionnaire", together</li> </ul>

		with follow up discussions to determine the value added by the Reviewer work and identify any lessons learned.
<b>Post Review</b>	<ul style="list-style-type: none"> <li>• Accessibility for further consultation as implementation progresses</li> </ul>	<ul style="list-style-type: none"> <li>• A commitment to ensure that stated actions are carried through and periodic updates to the Head of Governance on progress.</li> <li>• If undue delays are anticipated or encountered, or circumstances change significantly, the Head of Governance should be contacted.</li> </ul>

## 5.7 Statement on Internal Control

### Purpose and Content

#### *What does the SIC tell us?*

The Statement on Internal Control (SIC) is the means by which the Accounting Officer declares his or her approach to, and responsibility for, risk management, internal control and corporate governance. It is also the vehicle for highlighting weaknesses which exist in the internal control system within the organisation. It forms part of the Annual Report and Accounts.

#### *Why do we have a SIC?*

Public bodies must provide assurance that they are appropriately managing and controlling the resources for which they are responsible. The SIC is an important accountability document in communicating these assurances to Parliament and citizens.

The SIC is a mandatory disclosure for all central government entities that comply with the Financial Reporting Manual (FRM). It is a primary accountability document. The external auditors do not provide an explicit audit opinion on the content, but it is subject to external audit review to ensure that it has been prepared in accordance with Government guidance and that it is consistent with the auditors' knowledge of the entity.

#### *What does a SIC disclose?*

The Financial Reporting Manual sets out the expected form and content of the SIC. This is a mix of prescribed text and sections where Accounting Officers are expected to describe the particular arrangements in their organisations.

## STFC Approach

The STFC Accounting Officer makes a Statement on internal Control (SIC) in the resource accounts, setting out the key challenges and opportunities facing the organisation. [Annex 4.15 of Managing Public Money](#) sets the responsibilities of the Accounting Officer in completing the SIC.

The SIC is the main forum for bringing key assurance/ stewardship activities to a concluding opinion and the standard way of bringing risk management within an organised structure for reporting and also for internal use. It should support the organisation's policies, aims and objectives whilst safeguarding its assets. The [FReM](#) has a proforma and guidance on completion.

The Accounting Officer and Council need comprehensive and reliable assurance from managers, internal audit and other assurance providers that risks, including information risks are being managed effectively. These range of assurances are reflected in an 'Assurance Map' that supports the SIC.

Material changes to the system of internal control during the year should be reflected in the SIC. If an element of the strategic risk management process has been absent for a material period of time in the year it should be reflected.

The SIC should cover all the organisation's significant control issues. The Accounting Officer should use his or her judgement to distil the organisation's key concerns. In particular the SIC should contain disclosures under the following headings:

- Scope of responsibility;
- The purpose of the system of internal control;
- Capacity to handle risk;
- The risk and control framework; and
- Review of effectiveness.

### What are the roles and responsibilities?

The Audit Committee plays a key role in the production of the SIC. It supports Council and Accounting Officer by reviewing the comprehensiveness of assurances in meeting the board and Accounting Officer's assurance needs, and reviewing the reliability and integrity of the assurances. The Audit Committee also advises Council and Accounting Officer of any control issues that could be considered significant and are therefore appropriate for disclosure in the SIC.

The SIC is reviewed by the NAO as part of their financial statement audit to ensure it is consistent with the financial statements and the evidence gathered during their work. Where it is not, or where it is not compiled in accordance with the relevant guidance they will report that fact.